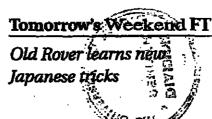


Helmut Schmidt Limiting the damage



Technology All I want for Christmas





FINANCIAL TIMES

US rate cut unlikely before poll, Fed says

Europe's Business Newspaper

The US Federal Reserve is unlikely to cut interest rates before the presidential election on November 3 because it regards as inconclusive recent signs of economic slowdown.

Recent figures confirm that economic growth is not accelerating, as forecast, but they do not point conclusively to a fresh slowdown, a senior Fed official said. Page 16

Bosnia deaths warnings The commander of UN forces in Bosnia, General Philippe Morillon, warned of a race against time to prevent the deaths of up to 400,000 people this winter, as Bosnian officials said there had been 15,284 deaths in the war in the former Yugoelav republic. Page 16

Bintone Nationale de Paris, the large French bank, announced a 13.4 per cent fall in first half profits to FFr1.33bn (\$271m). BNP blamed the economic slowdown and the need to raise provislons, mainly because of the depressed state of the French property market. Page 17



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1789年 6月1日 新華

chev Foundation Former Soviet president Mikhali Gorbachev (left) accused Russian president Boris Yeltsin of "authoritarian tendencles" after he ordered the eviction of the Gorbachev Foundation from its Moscow premises. Page 16, Missiles row sours CIS summit.

Ciments Français: The off-balance-sheet losses suffered by Ciments Français of France, the French coment maker being taken over by Italy's Italcementi group, are thought to have stemmed from agreements to repurchase shares in the company's foreign subsidiaries. Page 17

Bundesbank urges EC reforms The European Community should revamp its decisionmaking processes if it is to assume its proper role in world affairs, Hans Tietmeyer, vice-president of the Hundesbank, said. It must also make corrections to the Maastricht formula to ensure that political union advances in step with moves to economic and monetary union. Page 2; Bundesba keeps analysis on their toes, Page 20; Anglo-German rift. Page 15

Hougkong Land, one of the colony's leading property investment and development companies, is expected to fall far short of the 19.9 per cent stake it hoped to accurre in Trafelgar House, the property, construction and engineering group. when it announces the result of its tender offer later today. Page 17

New European TV services planned: Rupert Murdoch, chairman of News Corporation, the media group, and Andre Rousselet, chairman of Canal Plus, the French pay television service, are setting up a partnership to develop new television services across Europe. Page 17

Farmers' day of actions French farmers plan to hold a day of action next Wednesday to try to thwart any EC concessions on farm trade in the negotiations under the General Agreement on Tariffs and Trade. The action aims to coincide with the run-up to the EC's Birmingham summit on October 16, which would have to endorse any deal reached with the US in Brussels this weekend

Profits rise at Dow Jones Improved advertising and circulation at The Wall Street Journal have helped Dow Jones, the newspaper's owner, to achieve a 31.7 per cent rise in third-quarter net profits to \$21.09m. Page 19

dian brower plans UK assault: Vijay Mallya, one of India's largest distillers and brewers, plans an assault on the UK drinks distribution market via a takeover of Wiltshire Brewery, the UK quoted drinks company. Page 18

Hungary, anxious to make privatisation more popular with investors and voters and speed up the transfer of industry to the private sector, is moving towards a mass distribution of companies lingering in state control. Page 3

UK pit closures to be emounced: British Coal will announce a programme of pit closures and job cuts as early as next week to clear the way for privatisation of the state-owned company.

Nobel Literature Prize: The West Indian poet and dramatist Derek Walcott has been awarded the 1992 Nobel Literature Prize.

E STOCK MARKET INDICES # STEELING

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Sterling, dollar and lira rise against D-Mark as market tensions ease Currencies rally on rate hopes

STERLING, the dollar and the lira gained ground against the D-Mark yesterday as expectations grew that the Bundesbank may cut interest rates later this Amid signs that the currency tensions across the world may be

easing, the Bank of Italy cut its official borrowing rate to take advantage of the reduced pressure on the lira in recent days. Italy's cut in its Lombard rate by 0.5 percentage points to 16 per cent followed an easing in money market dealing rates over the past three days in Belgium, the

By James Biltz in London and

Christopher Parkes in Frankfurt

Netherlands and Denmark. Yesterday's reduced strains on European currencies and the dol-

UK opts to target long-term inflation

By Philip Stephens and Peter Norman

MR NORMAN LAMONT, the UK chancellor, yesterday sought to plug the gap in his economic policy left by sterling's departure from the exchange rate mechaniam by setting a formal target of between I and 4 per cent for Britain's inflation rate.

In a speech which won him a respectful but less than ecstatic reception from the Conservative party conference and London's financial markets, the chancellor ruled out the sharp cuts in interest rates demanded by many Tories. The instant judgment of his ministerial colleagues was future at the Treasury remained

uncertain. His speech will be followed this morning by a determined attempt by Mr John Major to reassert his authority over the party and to close the deep rifts over Europe which have emerged at this week's conference. After a day in which party activists tempered their affection for Lady Thatcher with a rebuke for her vehement attacks on her successor's European policy, Mr Major lar followed indications last week that the Bundesbank may be preparing the ground for a cut in its credit rates soon because of the increasingly gloomy outlook for the German economy.

However, a member of the Bundesbank council attempted to reduce speculation about an imminent cut in German rates. Mr Johann Gaddum said recent interest rate adjustments had led some people to conclude that the bank had undertaken a fundamental change of course.

"It is imperative to warn against these false expectations. The medium-term aims of our policy remain unchanged," he told a conference in Luxembourg. On foreign exchanges, the pound gained nearly two pfennigs to close in London at

Schmidt on ERM.....Page 14 US cuts unlikelyPage 16 London stocksPage 35 ..Page 41 World stocks... Currencies... ..Page 42

DM2.49. The rise came in spite of a cool response from financial markets to the speech by Mr Norman Lamont, the chancellor, at the Conservative party conference, on the grounds that he specified few changes in economic policy.

Hopes of an early cut in UK base rates, now 9 per cent, gave a spurt to share prices on the London stock market, where the FT-SE 100 Index gained 21.7 to

D-Mark, partly because of specu-lation that US interest rates are unlikely to come down before the US presidential election next month. The dollar closed in London at DM1.473, more than 3 pfennigs higher on the day. The lira closed at L888.0

against the D-Mark, L22.9 higher on the day, and L92 higher than its low point on Tuesday, giving the Bank of Italy the opportunity cut rates to inject extra demand into the Italian economy.

The market's belief that German rates may soon come down is partly based on the Bundesbank's recent operations in the German money market.

Late last week, the Bundesbank reduced the rate at which it

The dollar railied against the Mark, partly because of specution that US interest rates are ket to 8.9 per cent, a level 0.6 percentage points below its key emergency Lombard rate. Economists believe that the reduction in market dealing rates makes it technically easier for the German central bank to cut the Lombard rate without adversely affecting

the value of the D-Mark. At the same time, the Bundes-bank has fuelled expectations of a further cut in rates by softening the emphasis it places on one of its key indicators in the

growth of money supply. Recent policy statements by Bundesbank council members suggest that the bank is drawing back from its insistence that the M3 measure of money supply which includes cash in circula



Tory leaders, past and present, applaud UK chancellor Norman Lamont (second from right) after his party conference speech

panying his speech, Mr Lamont said the centrepiece of his economic strategy outside the RRM would be a long-term inflation objective of 2 per cent per year. That would mean an immediate

in the lower end of that range.

Until now, the government has eschewed a formal target for prices, setting out instead the goal of stable prices or consis-tently low inflation. But without target range of 1 to 4 per cent for the anchor of the D-Mark, Mr

will underline his determination underlying price rises. By the to ratify the Maastricht treaty.
In a statement for MPs accom
underlying price rises. By the end of the current parliament in 1997, he expected inflation to be billity with financial markets.

In August the underlying annual rate - retail prices excluding mortgage interest payments – was 4.2 per cent but it may drop into Mr Lamont's new range when September's figures are published today.

The chancellor, foreshadowing the sharp cash reductions in many Whitehall budgets under discussion in this year's

> Continued on Page 16 Tory conference, Page 8 Editorial Comment, Page 14 Joe Rogaly, Page 14 Lex, Page 16

New UK stock market indices launched

By Peter Martin, Financial Editor, in London

NEW UK stock market indices have been launched by the Financial Times, the London Stock Exchange and the Institute

and the Faculty of Actuaries. The indices will cast more light on the performance of the stock market, particularly of second-

rank UK companies. They will also allow investors to monitor the performance of individual industry sectors min-

ute-by-minute during the day. The indices complement the FT-SE 100 index and the FT-Actuaries All-Share index, which are expected to remain the UK market's principal real-time index and the main end-of-day performance benchmark, respec-

The new indices, publicly avail-

able from Monday, are: The FT-SE Mid 250, covering the 250 companies that rank below the FT-SE 100 in size. This is a real-time index, containing companies with market capitalis-

ations of roughly £150m to £1bn.
These are typically substantial national companies, rather than the UK-based international companies in the FT-SE 100.

● The FT-SE Actuaries 350, the top 350 UK shares (the FT-SE 100 plus the FT-SE Mid 250). Industry baskets based on these 350 stocks will be calculated minute-by-minute throughout the day. The sector classification is that used in the FT-Actuaries All-Share index.

From January, the FT-Actuaries All-Share index will be extended by about 200 shares, to cover a higher proportion of the total stock market. At that point a third new index will be added, the FT-SE Small Cap, covering all rank below the FT-SE Mid 250 in size. The 30-share FT Ordinary index is unaffected by the

Mr Richard Lambert, editor of the FT, said: "We are particularly grateful to those market participants who gave a great deal of time and effort to the task of providing the UK market with a uniquely comprehensive and consistent set of indices."

Details, Page 22

Beijing says Hong Kong plan violates agreements

in Hong Kong

MR CHRIS PATTEN, Hong Kong's governor, was on a colli-sion course with China last night after Beijing's foreign ministry said his proposals for Hong Kong's political development were deeply disturbing and would present obstacles to the smooth transfer of government in

Wu Jianmin, the foreign ministry spokesman, said Mr Patten's plans for the colony's 1995 elections were in breach of the 1984 Anglo-Chinese Joint Declaration and the 1990 Basic Law, the Beijing-drafted constitution for Hong Kong after it reverts to Chinese sovereignty in

"They will surely present obstacles to Hong Kong's smooth transition and transfer of govern ment. The Chinese side is deeply disturbed about this," he said. On Wednesday, in an address to the local legislature, the governor proposed enlarging the franchise of the colony's voters in the 1995 elections. He drew short of advocating more than the 20 directly elected seats envisaged for the 60-member council in

40 seats more democratic and Wu said China wished to point

1995, but sketched plans for making the election of the remaining

out that Beijing would not be held responsible for the conseences if the evolution of Hong Kong's political system did not accord with China's laws. He was also critical of Mr Patten publicising his plans before consulting

At a public meeting last night Mr Patten, in the knowledge of Beijing's statement, denied that his plans violated bilateral

"The proposals I made are entirely consistent with the Basic Law and the Joint Declaration in every particular," he said to the applause from an audience of Hong Kong citizens. Earlier in the day, Mr Patten

said his proposals for democratic reform must be decided by early next year. He said he hoped discussions with China would not be drawn out.

During his first "question time" before local legislators, Mr Patten spelt out what his government would do if agreement with China could not be reached about the financing of the colony's multi-billion dollar airport

He said the government would have to look at some "fairly radical options". One would be to complete works that could be financed internally by the government and leave other matters to be completed by the post-1997 government, he said.

CONTENTS

Int. Bond Service ...

Inti. Can Mich ..

Inti. Companies

This would mean shelving the construction of the airport and its connecting railway - the two most important parts of the HK\$163.7bn (\$21.2bn) project. A tender for a HK\$9bn contract for the construction of the airport site expires at the end of Novem ber and will have to be renegotiated if China does not agree the

Mr Patten also raised the possibility that the government will reconsider the agreement Britain and China reached last year on the structure of the Court of Final Appeal - the highest court in the colony after it reverts to

He told legislators that his new Executive Council would have to decide collectively whether the court was worth going ahead with, or whether, in light of planned developments in the legal system, the government should press ahead and have it

operating before 1997.
The legislature voted down the Anglo-Chinese agreement in December. This agreement provided for only one of the court's five judges to come from a for-eign common law jurisdiction. The local legal profession had wanted three places reserved for visiting judges.

> China taking fast lane to economic reform, Page 6 Lex. Page 16

For those who are wise. Clarges House has been the subject of substantial internal refurbishment to set it apart as a distinct, discreet headquarters. It offers a rare opportunity to occupy 32,800 sq.ft. of tlexible, air conditioned office space with extensive car parking in the heart of Mayfair. You'll find that it's a gem inside. CLARGES HOUSE MAYFAIR LONDON DEBENHAM TEWSON & Nelson Bakewell CHINNOCKS CHARTERED SURVEYORS 071 629 6501 071-408 1161

THE FINANCIAL TIMES LIMITED 1992 No 31,883 Week No 41 LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

Bundesbank says EC powers need reform

By Christopher Parkes in Frankfurt

THE European Community should revamp its decisionmaking processes if it is to assume its proper role in world affairs, according to Mr Hans Tietmeyer, vice-president of

It must also make corrections to the Maastricht formula to ensure that political union advances in step with moves towards economic and monetary union, he told a meeting in Berlin yesterday.

Without changes in decisionmaking, including the clarifica-tion and implementation of subsidiarity, "political, economic and monetary union could prove unacceptable to the people of the community", Mr Tietmeyer claimed.

The principle of subsidiarity should be established and implemented according to the German definition: "Give power to the upper political level only when the tasks in

question cannot be achieved at the lower level of authority." It is time subsidiarity was taken seriously and preparations made to put it into effect," he added. Without it, political, economic and mone-

tary union could prove unworkable, as had been dem-onstrated in other unions based on an undue concentration of power. Calling for "new and more appropriate" decision-making

structures, Mr Tietmeyer said there should be no "super-bureaucracy, but an organisation with clearly-defined competences and decision-making powers". He repeated a Bund-eshank statement made two years ago which insisted that if monetary union were to prove durable, it needed to be underpinned by a more far-reaching association in the form of full political union.

"Here, as the debate has shown, seems to lie a main deficiency of the Maastricht concept that needs to be cor-

rected in 1996, when the section on political union will in any case be reviewed," he said. Mr Martin Bangemann, the vice-president of the European Commission, denied yesterday that he was referring to Denmark when he called recently for member states which refuse further integration to consider whether they ought to leave the Community, Reuter reports from Helsinki.

Mr Bangemann made his statement last Saturday at a congress of Germany's Free Democratic party.

Danish politicians have reacted angrily to Mr Bangemann's statement, with the prime minister, Mr Poul Schlüter, advising the commissioner to do his job and leave decision-making to EC governments. Mr Bangemann, on a visit to Finland, told a news conference in Helsinki: "I do want Denmark to be a member of the Community." Bundesbank policy, see Capital Markets Page



Foreign Minister Klaus Kinkel with Chancellor Kohl during the Maastricht debate in the Bonn parliament yesterday

Deutsche Aerospace blames defence review for job cuts

By Quentin Peel in Bonn

DEUTSCHE Aerospace (Dasa), Germany's principal civil and defence aviation contractor, yesterday blamed uncertainty over defence spending and the downturn in the civil aviation market for its decision to cut

7,500 jobs by the end of 1994. "The main reason is that the role of the Bundeswehr, the German armed forces, is completely unclear," a spokesman said yesterday. "We don't know what role it will have in the future. In the meantime, we do not expect there to be any significant large defence contracts in the next two years, which could help us

through this period." The company, which is part of Daimler-Benz, was at pains not to blame the German defence ministry for its extended reassessment of the role and requirements of the armed forces, while saying pointedly that "it all depends on our democratic process".

However, it is clear that the cuts, amounting to more than 10 per cent of the company's 70,000 workforce, may not be the final decision, because they do not make any allowance for possible German pull-out from the European Fighter Aircraft (EFA) programme, or any

The profits of German chemical companies have plunged by more than 30 per cent so far this year, production has been cut and there are still no signs of improvement in the sector, according to Mr Wolfgang Hilger, president of the VCI industry association, writes Christopher Parkes.

He said the industry's volume output had risen 1 per cent in the first three quarters. However, demand had fallen markedly in the third quarter, leading to production cuts.

Mr Hilger is head of Hoechst, which recently

reported a 20 per cent decline in profits in the first six months of this year. Producer prices

our calculations," the spokesman said. "These redundancies or job cuts are not a consequence of that uncertainty. If placement. Germany finally were to pull "The EFA is still included in out of any programme, they

that business prospects among the most important users of chemicals gave little grounds for The appreciation of the D-Mark had further

last year's figure.

increased the industry's difficulties, and associ-ation members would have to come to terms with the fact that sales this year would not

had fallen by an average of 2 per cent and the

industry's total sales in the first nine months

had fallen to DM125bn (\$88.6bn), slightly below

Speaking to VCI members, Mr Hilger said

one third from the civilian side. Of those, 800 must be borne by Deutsche Airbus, where the works council yesterday expressed its surprise

pany decision. Another 2,750 job losses will fall on the defence systems division. including weapons manufac-ture, missiles, radar and communications.

Some 1,000 losses must come from the propulsion division making engines, and 500 from the space systems division. The company's space division could suffer further from

a review next month by the European Space Agency at a meeting in Granada, Spain. The gathering is expected to agree a Franco-German proposal to reduce the Hermes space shuttle programme to no

flyer" which was to service the Columbus space station. While Dasa said that the job

cuts would be carried out wherever possible without harsh social consequences, there might have to be some dismissals, in addition to early retirement and non-replacement of departing workers.

Although the company was at pains to stress its confidence defence contracting as a pillar of its future activities, the decision to cut so many jobs because of the uncertainty will call into question again the wisdom of Daimler-Benz creating such a giant subsidiary as Dasa, so heavily reliant on govmore than a "technology pro-

By Andrew Jack

THE European Commission's

competition directorate is to

examine the collective fixing of

fees, advertising restrictions

to the professions, Mr Claus-

Dieter Ehlermann, director

general of DG IV, the competi-

tion directorate said vesterday.

tered Accountants in Business

conference in Bristoi that he

endorsed stronger competition

within professions in the Euro-

pean Community. He ques-

tioned whether rules of entry

to curb membership were

He told the Board of Char-

Brussels to examine

curbs on professions

German parliament to have Emu veto

By Quentin Peel in Bonn

THE German government has accepted that the two houses of parliament in Bonn will in effect have the final say over the introduction of a single European currency, Mr Theo Waigel, the finance minister. said yesterday.

Before Germany enters the final stage of Emu in 1997 or 1999, parliament will decide on whether the strict preconditions for full European economic and monetary union (Emu) have been fulfilled, he said. The agreement by the government to have such a debate has appeared inevitable since the summer, when the opposition Social Democrats made such a move a precondition for ratification of the Maastricht treaty.

Mr Waigel, speaking in the first reading debate on ratification of the treaty, insisted such a vote did not mean a second chance to ratify or reject it and did not amount to an "opting out" clause like the special deal for Britain. He conceded, however, that the final stage of Emu, in 1997 or 1999, would not be automatic.

"An investigation of whether the treaty has been fulfilled is the decisive, final step before the beginning of economic and monetary union," he said. "Germany will not take part in any currency union in which not every member state has observed the treaty requirements...The German government needs a vote by the Bundestag before taking such

a decision. Mr Waigel was clearly at great pains to reassure a sceptical public about the future security and stability of a singie European currency, even though a clear majority of the Bundestag is in favour of ratifi-cation of the Maastricht treaty.

Mr Rhiermann laid down five

principles underlying competi-

tion within the professions,

reflected in the European Com-

whether restrictions are jus-

national laws do not affect

EC competition rules, which

may be contradictory;
• collective fixing of fees or

• international co-operation is

viewed favourably as long as it

does not reserve national mar-

kets for national practitioners;

• restrictive practices with

mainly national impacts

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Italy puts curbs on **journalists**

FTALY's chamber of deputies yesterday reviewed a bill which would make it a crime for journalists to report on trials before verdicts are given without prior court approval, Reuter reports from Rome.

If the bill becomes law, journalists could face up to two years in prison and \$1,500 in fines if they publish information not cleared by the court. Reporters could also serve up to three years if they publish the names of magistrates and

police working on a case. "We have to keep checks on journalists, make it clear to them the kind of information that should not be published, and set up a deterrent for those who break the rules," said Mr Giuseppe Gargani, president of the chamber's justice commis-

Critics say the law has been drafted to protect the politicians facing corruption trials.

"The truth is that ... journalists are under fire, because they report in depth on the political scandals sweeping the country," said Mr Ferdinando Imposimato, a parliamentarian and former judge.

thirds from military aircraft, and hostility towards the com-Bank of Italy lowers short-term rate

would be much worse." A

breakdown of the job cuts shows that 3,300 will come

from the civil and military air-

craft division of Dasa - two

By Robert Graham in Rome and Heig Simonian in Milan

THE Bank of Italy yesterday announced it was lowering as of today its fixed short-term interest rate charged to hanks half a percentage

16 per cent. The basic discount rate remained unchanged at 15 per cent. But the move to lower the fixed short-term rate is in line with the bank's desire to reduce the spread between short-term rates and the base rate, provoked by recent turbulence in the currency markets. It also followed two days in which the lira has recovered against the D-Mark amid signs in the market that the parity had overshot too far against the German currency.

On Monday the lira had the D-Mark; but by yesterday the lira was being quoted at

The parity is close to a rate which the Italian monetary authorities had previously regarded as reasonably stable. This represents a devaluation of nearly 17 per cent against its level of September 14.

Over the past week dealings in the lira have been thin, about 20 per cent of the normal volume, mainly accounted for by importers and exporters obliged to operate with a float. by the full senate, where it ing rate, and this is believed to will be considered next week.

rather than speculation. The rate cut came too late to affect the stock market, which had earlier been boosted by a vote by the senate finance committee to recommend a representing more than 2 per one-year suspension of Italy's complex and unpopular tax on capital gains on share dealings. News of the vote contrib-

uted to the sharp rise on the Milan stock exchange. The proposal to suspend the capital gains tax until September 30, 1993, has still to be passed stockbrokers are confident MPs will pass the measure.

The suspension will exclude trading in blocks of shares cent of a company's capital. Stockbrokers have bitterly opposed the levy, which taxes

taxpayers choose to pay. They blame it for eroding specula-tive sentiment and depressing share values. They add that the tax, introduced in February 1991, has

25 per cent depending on how

the chamber of deputies, but Finance Ministry, as low trading volumes and depressed share values have kept receipts below expectations. The government has recog-nised the tax is unsatisfactory, but has so far been unwilling to suspend it, in part because

such action might be seen as a sop to the rich.

acceptable if free access offered should be left to the national no threat to a profession's repauthorities or courts to deter-Sweden reveals plans for

By Robert Taylor in

THE Swedish government yesterday announced plans to create an Ecul.6bn (\$2.22bn) venture capital project for small and medium-sized enter-

venture capital project financed initially from a staterun fund abolished last year which the government used to buy shares in Swedish companies. The fund, which was financed through a tax on profits, is in effect being converted into a private capital scheme in which the government will

retain a 37 per cent stake. It will be owned and run by the Swedish companies that contributed to the old wage earner fund. Two main funds will be set up and operated by 150 of Sweden's large companies. Each will have capital resources of SKr2.2bn (\$429m). In addition, six regionally based funds will be established with capital resources totalling

around SKr400m each. They will be controlled and 89 per cent owned by around 2,600 smaller companies.

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Row erupts over treasury bill boycott call

A CALL by the populist Lombard League to refuse to buy Italian treasury bills has provoked a parliamentary storm and the threat of legal action. The call yesterday by Mr Marco For-mentini, the league's parliamentary spokesman, was seen in parliament as an attempt to undermine Italy's credi-

bility in time of financial crisis. Mr Franco Reviglio, the budget minister, described the interview as "irre-

sponsible", and Mr Claudio Martelli, the justice minister, announced he was con-

sidering legal action. This is the latest escalation of the league's campaign to embarrass what it regards as a corrupt, free-spending government in Rome living at the expense of the hard-working

The league has also advocated a campaign of non-payment of taxes.

But it has become more vocal in the wake of its dramatic success in elec-tions in the northern city of Mantua two weeks ago, when it obtained 34 per cent of the vote and humiliated the

poning other regional elections and these will now go ahead in the northern cities of Monza and Varese on December 13. .

By calling for a boycott of treasury bills - which are widely bought by small Italian savers - the league may have overstepped itself by forcing the other parties closer to the coalition gov-

Yesterday, Mr Reviglio said the government would be seeking a vote of confidence in the chamber of deputies

out reforms of pensions, public health, the civil service and local administra-

The senate has already passed the decree but it has become bogged down in the chamber of deputies and the government is anxious to push it through as quickly as possible to speed up discussion and approval of the 1993

It is the second time the government has sought a motion of confidence, the previous occasion being the July emer-

on the decree, announced two months The league has also forced the govprises. The project will be Poland escapes label of central Europe's 'sick man'

Warsaw's surprisingly self-confident government has achieved results, write Anthony Robinson and Christopher Bobinski

becoming the "sick man" of central Europe, plagued by weak governments and squabbling politicians, has receded recently. Against the background of an unexpected export-led recovery. Ms Hanna Suchocka, Poland's first female prime minister, has forged a confident government team.

It has won the conditional approval of President Lech Walesa and confounded those who doubted the cohesive power of a coalition government whose members share common roots in the former anti-communist Solidarity alli-

Taking advantage of the summer break, the government, which includes Mr Jan Krzysztof Bielecki, a former prime minister, and several others who held key portfolios in the first two post-communist gov-ernments, worked out a co-ordinated economic, political and social strategy.

An International Monetary Fund team was the first to examine the resulting policy mix. The government's priorities are to cut a growing budget deficit, speed up the privatisation of state-owned enterprises, depoliticise pay export-led recovery in indusinflation. The IMF team promised to return to Warsaw this month to negotiate a new 15-18 month IMF loan agreement to replace the original \$1.7bn three-vear extended term facility agreed in April 1991. This was suspended last September when the government overshot agreed budget deficit, inflation and other parameters.

The figures presented to the fund showed that industrial output, including that from the debt-ridden public sector, started to rise in April after a two-year decline which cut production by around 45 per cent from pre-reform, 1989 levels. By July factory output was 9 per cent higher than a year ago.

Polish competitiveness has been restored thanks to a decline in real wages and gradual devaluation of the zloty. Exports rose 12.5 per cent over the first half to \$6.88bn, while imports fell 8 per cent to \$5.96n. resulting in a \$976m trade surplus and \$389m current account surplus.

On the negative side, however, a severe drought is expected to cut farm output by 10 per cent this year while unemployment continues to rise, reaching nearly 2.8m, or 12.6 per cent of the labour force at mid-year. Inflation, at 41 per



cent in July, is lower than last

year's average 60 per cent but is expected to climb again in the second half. Higher food prices and much higher gov-ernment spending over the second half of the year will boost inflationary pressures towards

- Company of the Comp

Cutting the budget deficit from an expected 8.5 per cent of GDP to 5.5 per cent next year is crucial for curbing inflation and preventing the crowding out of the private sector by insatiable public sec-

tor demands on limited capital and savings. The government intends to tackle the problem at both ends by pruning public spending and raising income through tax reforms and training a small army of tax collec-tors. Over the last year the

profitability of state-owned enterprises has fallen while much of the fast growing private sector, which now makes up about half the total economy, has managed to evade paying taxes. As a result tax revenues

were 39 per cent below plan over the first half while spending on pensions, unemployment pay and other social programmes continued to rise. Without tough government action the deficit was expected to soar to about 100,000bn zlotys (\$7.38bn), over 8 per cent of GDP, by the end of the year. The government now aims to cut the projected deficit by 9,500bn zlotys in the fourth

quarter and 70,000bn in 1993. The package includes a 10 per cent cut in the real value of ensions and other social payments and a 10 per cent increase in consumer taxes prior to the introduction of a value added tax system and better tax collection next year. More controversially, the package also includes a temporary 10 per cent import surcharge on 75 per cent of Polish

The latter will have to be cleared with both the European Community and the Gatt. To sweeten the bitter pill of

Ms Suchocka last month unveiled what she called an "enterprise pact" designed to involve workers more closely in the fate of their enterprises and at the same time depoliticise wage negotiations and labour relations. The hated "popiwek" tax on wage increases is to be abolished in favour of free collective bargaining, with the proviso that wage increases not related to productivity gains will not be financed by the government.

The emergence of an unexpectedly self-confident government does not mean that Poland is without problems. The economic package still has to be approved by parliament. But the lower house, the Sejm. remains fragmented among many small groups which supprone to factionalism. This could lead to splits that would weaken the government's tenuous majority, although Mr Henryk Goryszewski, the deputy prime minister with overall responsibility for the econ-omy, insists that ideological disputes in parliament - over issues like abortion or the fate of former communists - will not be allowed to derail the government's efforts to find pragmatic solutions to Poland's many problems.

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Hungary makes striking switch to mass privatisation have by Nictiolas Devitor in owing much to Czechoslovak. Western multinationals have nies to western companies admitting at the same time beautiful for a naminal of the reliefle

HUNGARY, anxious to make privatisation, more popular interview yesterday, with thiestors and voters and The new initiative re speed up the transfer of industry to the private sector, is moving towards a mass distribution of companies lingering

The authorities plan to

owing much to Czechoslovakia's voucher privatisation, Mr Tamas Szabo, Hungary's privatisation minister, said in an

The new initiative represents a striking departure for Hungary's privatisers, who have until now set themselves against widespread local distribution of state property, so much so that the word "voucher" embark next year on a scheme

Western multinationals have dominated the Hungarian privatisation picture so far. The first big privatisation deal was in 1990 with the sale for \$150m to General Electric of a majority stake in state-owned Tungsram light bulb producer. This was followed by the sale of Lehel, the refrigerator maker,

to Electrolux of Sweden. Last

year a spate of sales of state-

owned consumer goods compa-

Mr Kravchuk said last week

that Ukraine, which has repeatedly promised to become

nuclear-free by 1997, had the

technical ability to prevent the

Russian officials said that

Belarus, which is sticking close

to Russia, had agreed to the hand-over, while the position of Kazakhstan, which has

repeatedly vacillated in its

long-term nuclear intentions, is

Russia is also likely to be attacked today following a

threat by Mr Viktor Chernomy-

drin, energy minister, to

switch off oil supplies to repub-

brought in \$500m.

But Hungary has been compelled to shift ground. The sale of so much local industry to foreign companies has proved politically increasingly unpopular. There is also a feeling in Budapest that many of the most attractive companies may already have been sold. "We won't use the word voucher," said Mr Szabo,

lics which do not pay outstand-ing debts to the Kremlin by

the result of an interview with

Mr Chernomydrin on Wednes-

day but widely publicised yes-

terday, sent a tremor through-

republics, most of which are

heavily dependent on oil they

buy from Russia at rates well

Mr Yegor Gaidar, Russia's

acting prime minister, said

that, in view of the hostilities,

documents establishing the parameters of the rouble zone

and increasing the authority of

the CIS governing bodies were

below world prices.

unlikely to be signed.

the former Soviet

admitting at the same time that the new scheme would present "a similar picture from the outside as the Czech."

No details of the Hungarian scheme have been released yet. But Czechoslovakia's privatisation programme cuts across a wide spectrum with \$9.9bn worth of equity in 1,491 enterprises to be distributed this summer. Over 8.5m citizens are participating, using vouchers

with two thirds entrusting their vouchers to one of the 460 private investment funds set up earlier this year.

The political impact of was underlined in Czechoslovakia's elections earlier this year. Mr Vaclav Klaus, former finance minister, who masterminded the programme, saw his party win an absolute majority in

attractions Hungary's initiative arises out of dissatisfaction with the pace of privatisation which - even if the most rapid in eastern Europe - is not on course to meet the government's target of putting half the economy in private

hands by 1994. "The decisive argument is that we have to achieve a breakthrough," said Mr Szabo.

Dutch scale down air crash toll

By Ronald van de Kro in Amsterdam

THE DEATH toll in Sunday's crash of an El Al cargo aircraft into two Amsterdam apartment buildings is now thought to be less than the original estimate of 250, but city officials say the true number may never be known.

Rescue workers have recov ered 49 badly burnt bodies and do not expect to find any more victims in the twisted wreckage of the 80 flats. A city spokeswoman said the fierce temperatures of the fires which engulfed the flats meant some bodies might be irrecoverable. The number of dead is still expected to exceed 49, "but we are cautiously optimistic that the figure of 250 will prove to be on the high side".

The Amsterdam rescue tear is to be helped by British investigators involved in the recovery of bodies after the explosion of a Pan Am airliner over Lockerbie in Scotland in 1988. Yesterday, the town council of Lockerbie sent a wreath of flowers to Amsterdam to express the town's condolences over the Dutch air disaster.

Clash over N-weapons puts Commonwealth plans in doubt

Missiles row sours CIS summit

By Chrystia Freeland in cow and Oleksandr Tkachenko in Kiev

THE dispute between Russia and Ukraine over strategic nuclear weapons is jeopardising the meeting of leaders of the former Soviet republics on the eve of their Commonwealth

C.d not mean to Mr Boris Yeltsin, the Russian President, put a brave face Bisinger, stan, where today stan, where to be held, saying "it is not a tragedy" if all 10 member a tragedy" if all 10 member stan do not agree to all proon things when he arrived in

ill destigation of the But the increasingly hostile row over the missiles demonstrates that the two-speed Commonweattu proposes, the Mr Nursultan Nazarbayev, the president of Kazakhstan, earher this week, could be a very volatile entity.

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The argument was significant to by Russia's surprise decision to -The argument was sparked claim jurisdiction over all the former Soviet Union's nuclear weapons, which the leaders of Russia, Ukraine, Kazakhstan and Belarus, the four nuclear

republics, had previously agreed should be collectively controlled through the Commonwealth of Independent

States' joint command. However, in an interview firing of the 176 ICBMs stationed on its territory. with Russia's Nezavisimaya Gazeta, published yesterday, Marshal Yevgeny Shaposhnikov, head of the joint forces, said that, in agreement with Mr Yeltsin, he was ready to turn over all of the weapons to

Russia immediately. "You cannot leave such terrible weapons under the control of anything other than a specific nation-state," Marshal Shaposhnikov said.

That sparked the ire of Ukraine, which has sought to steer an independent course and opposed efforts to transform the Commonwealth into anything more than "a court for obtaining a civilised

"We like what we've got." said President Leonid Kravchuk of Ukraine. "Ukraine today has the right to block the launch of nuclear weapons from its territory but is not claiming the right to press the



Pass down inside, please: It was standing room only for 20 passengers on this Aeroflot flight to Tbilisi yesterday; a dozen more were accommodated in the toilets

Ukraine force to be reckoned with

By David White, Defence Correspondent

UKRAINE'S emergence as one "Construction of Europe's main military heavyweights is shown up starkly in the International Institute for Strategic Studies' latest "Military Balance".

.c: -\c<u>ss</u>ik 212 air force of about 1,100 combat force include 10 modern Rusaircraft, more than any Nato country in Europe and more than twice as big as any of Moscow's former Warsaw pact

Although Ukraine's armed forces, at 230,000, are smaller than Poland's, its holdings of tanks and armoured vehicles are bigger than any European nation after Russia and Germany. This is set to remain the case after reductions in heavy land weaponry and aircraft are completed under the Conventional Armed Forces in Europe

The material contained in the annual publication, which for more than 30 years set out a balance of forces between east and west, has had to be radically reorganised to take account of the abolition of the

Warsaw Pact and the disintegration of both the Soviet Ilnion and Yugoslavia

In the Middle East, the institute has revised upwards its estimate of the artillery strengths of both Iran (increased from 1,000 to more than 1,300 heavy guns) and The hreak-up of the Soviet Iraq (1,200 instead of 1,000).

Union has left Ukraine with an Recorded additions to Iran's air what is reported to be a much larger purchase), a similar number of Su-24 attack aircraft and 12 Chinese F-7 fighters, an updated version of the Soviet

> Iraq's army strength is estimated at 29 divisions, half the number existing before the 1991 Gulf conflict. These include seven Republican Guard armoured and mechanised divisons, compared with four reported a year ago. Naval capability is expected to be minimal for several years, although more Iraqi naval vessels survived the war than was originally thought, the IISS

Military Balance 1992-1993, IISS/Brassey's, £35/

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"Japan dismisses Kuriles proposal

Reuter in Tokyo

THE Japanese government yesterday responded sharply to a suggestion by President Boris Yeltsin of Russia that two of four disputed islands could be handed back to Japan Mr Koichi Kato, chief cabi-

net secretary, said the Russian leader did not fully understand the Japanese position. Mr Yeltsin's comments came at a Moscow news conference shown on Japanese television. He said he might reschedule

his planned visit to Tokyo,

which he cancelled abruptly in September, if the Japanese accepted the return of Shikoof the four islands occupied by Soviet troops at the end of the

Japan says it will not con sia or provide substantial economic assistance unless Moscow recognises Japanese sovereignty over the four islands, which it calls the Northern Territories.

be flexible if Russia recognises Japan's sovereignty over the four islands," Mr Kato said.

Denktash occupation plan draws UN fire

THE NEW UN co-ordinator on Cyprus yesterday criticised a Turkish-Cypriot plan to move people into an area abandoned by Greek Cypriots, Reuter reports from Nicosia.

Mr John Maresca said the heasure did not contribute "a positive attitude"

He was answering a question on a plan, disclosed by Mr Rauf Denktash, the Turkish-Cypriot leader, on Tuesday, to house foreign students in buildings in Varosha, a deserted suburb of the Turkish-held coastal town

The Greek-Cypriot inhabitants of Varosha fled their homes when the Turkish army invaded the island in 1974. Turkey has 30,000 troops in the occupied northern third of the

The government of Cyprus protested to the United Nations about the Varosha plan yesterday. However, Mr Maresca. speaking after meeting President George Vassiliou of Cyprus, said he thought progress was possible in the next round of UN-sponsored talks in



French farmers set to fight Gatt concessions

By David Buchan in Paris

FRENCH farmers are once more mobilising themselves to try to thwart any EC concessions on farm trade in the negotiations under the General Agreement on Tariffs and

Trade (Gatt). In the run-up to the EC's Birmingham summit on Octo-ber 16 - which would have to ndorse any deal reached with the US in Brussels this week-- they will next Wednes-

officials across the country. But, clearly nervous about this weekend's negotiation, Mr

Jean-Pierre Soisson, France's new agriculture minister, was in Brussels last night to stiffen EC negotiators' backbones. France was taken aback by the virtual isolation of its trade minister. Mr Dominique Strauss-Kahn, in the EC Coun-

cil of Ministers earlier this

week on Gatt, and particularly

by the line taken by his Ger-

man counterpart. Mr Jürgen

was needed to calm the world's money markets. Mr Strauss-Kahn retorted that the two elements were quite unrelated, but Paris is

clearly worried, French officials regard it as unlikely that the Council of Ministers might try to push a Gatt deal through by majority vote. But there is concern that the US may have now bought Germany off by accepting that the bulk of direct aid to farmmany's small and inefficient agricultural sector, should be exempted from cuts.

Paris' prime concern is that this weekend should not produce an US-BC accord on agriculture alone. This would not only further foment next Wednesday's demonstrations. It would also, officials in Paris say, weaken the Community's bargaining hand on other unresolved Gatt issues, in which France has a big stake. push the US harder on liberalising trade in services. After the US, France is the second biggest exporter of services chiefly related to finance, technology, telecommunications and tourism - with a

1991. • Subsidies, France wants the draft Gatt code on subsidies to exempt subsidies for aircraftmaking, research and develop-

ment and environmental

Talks on how to mollify

France feels Gatt protection of marks of origin for wine and cheese is inadequate.

 Dispute settlement. Like its EC partners, France wants any strengthening of Gatt dispute procedures to stop the US seeking unilateral redress.

FFr50.7bn (£5.95bn) surplus in For French farmers, of course, the fight with the US is on agriculture alone. They proved their political clout by helping bring the Manual elping bring the Maastricht treaty within a whisker of defeat in the September referendum, and the unpopular

the votes it can get in next March's parliamentary elec-

The main farmers' union, FNSEA, is furious with Brussels "betrayal" in first selling the Common Agricultural Pol-icy reform as a "shield against Gatt", and now asking them for further concessions in Gatt. Their chief complaint is the "unfair" way in which Gatt proposals would cut EC and French exports back far more than US exports.

worries on Uruguay Round

By Nancy Dunne in Washington

THE tumult over potential movement on the long-stalled Uruguay Round under the General Agreement on Tariffs and Trade (Gatt) is being watched nervously by one group with much to benefit - or to lose from the outcome: American farmers.

Over the years, enthusiasm has waned as the shape of a proposed settlement in the agriculture talks emerged. It became clear from the draft text, proposed by Mr Arthur Dunkel, the Gatt director-general, that the long-promised aim of free trade in agriculture would be no more than a goal

for years to come. Protected US commodity groups looked at what they would have to sacrifice so their fellow farmers would get access to new markets and began to see some valid-

unseen presence of the White House "puppet master" - Mr James Baker, former and possibly future secretary of state. "He'd sell us out in a second," said one farm leader.

One prominent participant on the US side is the American Soyabean Association, whose long-delayed case against the EC oilseeds subsidies - twice won in a Gatt dispute settlement panel - may well be enmeshed in a final Gatt farm deal. In the hope of avoiding that linkage, the group has been urging the administration to impose \$1bn (£562m) in sanctions against the EC since August, when a 60day negotiation period under Gatt expired.

Sixty of the 100 US senators signed a letter to the administration last month urging the US to "take action to enforce

The anxiety is compounded by the US officials will trade off wheat for sovabeans - agreeing to a possible EC offer to limit its oilseeds production to 7-8m tonnes - in exchange for a larger share of the

subsidised wheat trade. In Minnesota, Mr Mark Ritchie, head of the Institute for Agriculture and Trade Policy, has been a powerful force in organising US farmer resistance to Gatt. From the centre of a worldwide network of similarly concerned farmers, he fears the talks are on the verge of a breakthrough.

Bush has to have something to show domestically for his focus on international issues," he says. "He has a club called oilseeds hanging over the Europeans, and they have the key to unlocking the Gatt

EC officials are aware that President George Bush badly wants a deal, and By Lionel Barber in Brussels

WITH three days remaining until crucial EC-US talks on a trade liberalisation reement in the Uruguay Round under the General Agreement on Tariffs and Trade (Gatt), senior officials in Brussels are focusing on how to overcome French opposition to potential European conces-

ons on agriculture. Last night, Mr Jacques Delors, European Commission President, was holding talks with Mr Jean-Pierre Soisson, France's new farm minister, and Mr Frans Andriessen. the EC commissioner responsible for external affairs, in a move seen as trying to co-ordinate a clear EC bargaining position ahead of the weekend talks.

One tactic gaining high-level support side the European Commission is to stress the huge benefits for France in the ser-

Mr Andriessen, one of the EC's lead negotiators in the weekend talks, said yesterday that France was "very competitive" in services. It was important not to focus solely on the agriculture sector, however politically sensitive, he said.

The weekend talks in Brussels will cover all disputed areas, including farm exports, services and market access. An outline deal would have to embrace a "set of elements" which could be wrapped into a single package to be negotiated in detail by the end of the year, EC officials said. In a little-noticed speech this year, Mr Delors made such a link. He asked rhetorically if France could accept a reduction of FFr2bn (£235m) in cereals exports, if it could export FFr5bn in industrial goods and FFr2bn in services, if the Uruguay

The weekend talks, which begin on Sunday and may stretch into Monday, include Mr Andriessen, Mrs Carla Hills, US trade representative, Mr Ray MacSharry, EC farm commissioner, and Mr Ed Madigan US agriculture secretary.

The biggest obstacles are how far paynents to EC farmers in compensation for big price cuts agreed in the recent Common Agricultural Policy reform should be exempt from cuts under the Uruguay Round "final act"; how far the EC must cut its subsidised farm exports, and the amount of subsidy; and how to ensure a "peace accord", whereby the US agrees to forgo future retaliation against what it considers unfair competition.

Mr Andriessen said yesterday he had a clear mandate from the Council of Ministers meeting this week in Luxembourg to negotiate, even if it meant taking some risks. "The risk not to succeed is more dangerous than the risk of succeeding," he

Round were completed. its Gatt rights". With this kind of pressure ity in the Japanese argument for "food they are most likely to get their best offer on the administration, there are fears that vices sector if a Gatt deal was reached. There's still one place where FIRST CLASS luxury air-conditioned office space moves fast.

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Little progress on US-Japan car import deal

By Charles Leadbeater in Tokyo

JAPANESE and US car makers have made little progress in implementing the agreement to boost US car imports into Japan reached when President George Bush visited Japan in January.

Toyota acknowledged yesterday that it was still negotiating with General Motors, the largest US producer, over a plan for Toyota to import 5,000 more GM cars a year.

The deal between the two companies was the second largest component in the an overall agreement in which five Japanese manufacturers 20,000 US cars by 1994.

The agreement, designed to ease trade frictions, was signed by US car industry executives who accompanied Mr Bush and was one of the most controversial aspects of his visit.

However, there were signs yesterday of a renewal of trade friction over cars after a lull since the start of the year.

The Japanese Automobile Association accused the IIS Congress of erecting a non-tariff barrier against cars made at factories owned by foreign manufacturers by attaching labels which identify foreign-

made components. According to the Japanese Automobile Importers Association, car imports from the US in the first nine months of the year were up just 2,713 to 25,730. Most of the rise was

accounted for by a surge in sales of the US version of Honda's Accord, which is not covered by the January agreement Imports of the US Honda

Accord have risen from 10,541 in the first nine months of last year to 13,840 in the same period this year.

Sales of GM cars fell from 7,146 to 7,041 in the first nine by 48 to 2,419 and Chrysler's were up 50 at 1,171. The negotiations between Toyota and GM have been com-

plicated because Yanase, another Japanese car distributor, already has the right to import GM cars. Toyota, Honda and Nissan

said they were proceeding with plans to more than double their purchases of US-made components by 1994. But none of the companies

could say how much they had

increased US purchasing so far

Supercomputer trade row brews

By Robert Thomson in Tokyo

THE choice of a Japanese supercomputer by the country's Ministry of Education appears set to become an embarrassing trade dispute between Tokyo and Washington, which hoped the ministry would choose a US machine. The ministry chose a super-

computer made by NEC of Japan over a model from Cray Research of the US, which appealed in July against the decision to a new disputes

But the panel this week rejected the complaint from Cray, whose political influence in the US has ensured that supercomputers have been a sensitive bilateral trade issue

for the past decade. Cray described the panel's decision as "disappointing", but stronger words are likely to be used after Mr John Rollwagen, the company's chair-

man, arrives in Tokyo today. His company had complained that the ministry's institute for fusion science, which bought the machine, allegedly set technical specifications favourable to NEC and leaked information to the company.

NEC said yesterday the US supercomputer market was iess open than Japan's.

Cuba ban upsets EC

THE EC has reacted angrily to US attempts to reinforce a trade embargo on Cuba, which it believes could break international trade law, Andrew Hill

writes from Brussels. The extension of [the embargo) has the potential to cause grave damage to the transatlantic relationship," the European Commission said yesterday after lodging a formal diplomatic protest with the US State Department on

Wednesday. US President George Bush was yesterday set to approve the Cuban Democracy Act. The Commission said the act would force US and Cuban trading partners to comply with US prohibitions on trade, even though they lie outside the for-mal jurisdiction of the US.

OECD	EXPOR	T S
Minimum Inter	Oct 15-	for offi- edits (%) Sept 15- Oct 14
D-Mark Ecu	8.77	9.45
French franc Guilder*	9.54 10.28 8.80	9,47 10.54 9,80
Guilder# Guildert	8.80 8.85	9.45 9.30
Halian lira Yen	14.54 5.50	13.48 5.50
Peseta Sterling	14,12 10.20	13.73 10.56
Swiss franc US dollar* US dollar#	7.67 5.42	8.08 5.72 6.60
US dollart	6.38 6.96	7.12

Japanese 'godfather' under pressure

By Robert Thomson in Tokyo

MR Shin Kanemaru, the disgraced "godfather" of Japa-nese politics, was under increasing pressure last night from within his ruling Liberal Democratic Party to respond to public criticism of his behaviour by making a ritualistic show of remorse.

The riding party has been shaken by continuing public protests and polls reflecting deep disgust with the lenient treatment of Mr Kanemaru, who was given a Y200,000 (£984) fine for accepting an Illegal donation of Y500m from a parcel_delivery_company.
There is also public anger over his apparently frequent dealings with gangster groups. Mr Kanemaru was under

attack vesterday on two fronts, from within his own faction. the party's largest, and from other LDP factions. Seven MPs from three different factions yesterday urged the "godfather" to resign from the party, while others have suggested privately that he should give up his parliamentary seat.

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Members of Mr Kanemaru's faction have been meeting over the past three days to discuss his plight, and it is clear that senior members see the present turmoil as an opportunity to improve their own standing and challenge Mr Ichiro Ozawa, the former party secretary-general and Mr Kanemazawa, the prime minister, has watched helplessly from the sidelines. Reliant on Mr Kanemaru to raise the numbers necessary for his appointment last year, he is unable to take action against him. Mr Miya-

been condemned in Japanese

editorials, while the LDP has

been distracted from issues

zawa's lack of leadership has

Russia.

When he first confessed in late August to taking the illegai funds, Mr Kanemaru resigned as vice-president of the party and said he would resign as chairman of the fac-tion, which is the more powerful of the two positions. But he has since been encouraged to such as the ailing economy and keep that position for fear that for Mr Kanemaru's resignation let this situation continue".

the troubled relationship with his departure would create a have failed to dissipate. bitter fight for control of the faction.

However, fighting has anyway erupted within the faction. as senior officials opposed to Mr Ozawa's "arrogant" management style have attempted to blame him for the problems faced by the "godfather". At the same time, public demands

The Mainichi Shimbun, a

leading Japanese daily newspaper, has opened an "action line" to encourage readers to complain. A 54-year-old real estate agent warned that "the administrators of justice, the politicians and organised crime" have been co-operating with each other and "we can't

A 57-year-old housewife said she was "disillusioned" by the handling of Mr Kanemaru's

case, and suggested the Social Democratic Party, the leading opposition party, had been cowardly. The SDP is reluctant to get involved in the dispute because its own members have received illegal funds from the same parcel delivery company Tokyo Sagawa Kyubin.



Pedestrians make donations and sign a petition in Tokyo yesterday demanding the resignation of Shin Kanemaru (pictured above) as a student. wearing a Kanemaru mask

India unveils lending rate cut of 1 point

THE Reserve Bank of India, the central bank, yesterday signalled a modest easing of monetary policy with a 1 percentage point cut in commercial lending rates and a relaxation

of liquidity rules for banks. Mr S Venkitaraman, the governor, said the measures were a response to distinct signs of recovery in the Indian economy, after a sharp slowdown in growth last year when the gov-ernment introduced austerity measures to cope with a balance of payments crisis.

But industrialists said the cut in commercial banks' minimum lending rate from 19 per cent to 18 per cent would not be enough to revive the economy. The Confederation of Engineering Industry had asked for a 4 point cut

Stock investors were unaffected by the central bank's announcement and the Bombay Stock Exchange's 30-share index fell eight points to 3211.55. Nevertheless, a leading government economist said the cuts would be "a modest stimulus" to industry.

Yesterday's rate cuts were the first since rates were raised to record levels last year and follow a sharp decline in the annual inflation rate from a peak 16.3 per cent to 8.8 per cent at the end of last month. However, the reserve bank is adjusting its policy cautiously. place.

By R C Murthy in Bombay and While the commercial banks' Stefan Wagstyl in New Delhi minimum lending rate is being minimum lending rate is being reduced, and deposit rates are also coming down, the central bank's bank rate, its main indicator rate, will stay unchanged at 12 per cent.

The reserve bank also cut its statutory liquidity ratio - the proportion of funds which commercial banks are obliged to invest in government securi-

This spring the ratio was cut to 30 per cent for new deposits from 38.5 per cent. Following yesterday's announcement, the figure for existing deposits will be reduced from 38.5 per cent to 37.75 per cent, in a move which will release funds for

commercial loans. In a speech to bankers in Bombay, Mr Venkitaraman said industrial production would probably rise by 4 to 5 per cent in the 1992-1993 financial year, which started in April. This follows a marginal 0.1 per cent increase last year.

Meanwhile, in a cautious move to restore life to the market in government securities, which has been hit by a Rs35bn scandal, the central bank is resuming the sales of government securities to banks under repurchase terms (repos). Repo sales were stopped in May when the scandal erupted. However, a ban on repo sales between banks, which were the occasion of regulatory abuses, will stay in

Employers deliver gloomy assessment of growth deal By Charles Leadbeater to Tokyo

THE Japanese government's official target for growth of 8.5 per cent in the year to next March was hanging by a thread last night after employers' leaders delivered a gloomy assessment of the economy's prospects despite the emergency package announced in late August.

The Federation of Economic Organisations told the government it would have to take further measures to stimulate the recovery after a survey of its leading members found that most expected growth of 2.6 per cent this

Many Japanese economists, finan- of the ruling Liberal Democratic Par-

ciers and industrialists regard sustained growth of below 3 per cent to be a "growth recession" in an economy which in the late 1980s was used to expansion of more than 5 per cent a

The employers' doubts were given added weight by a flurry of reports in which economists reduced their forecasts for growth over the next two years to well below the official government target.

With the initial euphoria over the August package fading, the government is under increasing pressure to consider tax cuts next year to revitalise the economy.

Mr Shizuka Kamei, vice-chairman

ty's policy affairs research council. renewed calls from within the party for the government to force the Ministry of Finance to relax its opposition increased borrowing to finance higher public spending. Mr Kamel said there would be a tax shortfall of

Y5,000bn (£24.6bn) this year. Mr Gaishi Hîraiwa, the Employers' Federation chairman called on the government to introduce an additional programme to stimulate the economy after delivering the bleak survey results to the Economic Planning Agency.

The Federation said a majority of

companies welcomed the emergency Y10,700bn package announced in August, but criticised both the gov-

ernment and the Bank of Japan for acting too late to stimulate the econ-

Although most employers believed the economy would recover from next spring, many forecast that it would then grow only slowly. Several doubted whether the Y8,600bn public investment programme which forms the core of the special package could be implemented by next March.

The Federation called for cuts in income and corporation taxes, a review of land and securities taxation, looser monetary policy and an examination of whether indirect taxes should be raised to finance tax cuts

The Japan Research Institute also costs and raise profitability.

called for a further Y4,000bn cut in income taxes, while the Nomura Research Institute called for an additional package of Y6,000bn.

 Japan's machine tool industry is facing a severe contraction after a 45 per cent drop in new orders in August, compared with last year.

The Machine Tool Builders Association said the fall mainly reflected a prolonged slump in orders from the car industry, which is cutting back on investment. Orders from the car industry fell 55.4 per cent from the year before. The association warned that the decline in orders was likely to last for several months as investment plans are cut back to reduce

Australian jobless down

AUSTRALIA'S politically sensitive unemployment rate dipped to 10.8 per cent in September from 10.9 per cent in August, but economists said the prospects for further reductions appeared to be slim. Government figures showed

that the reduction in unemployment was entirely due to a fall in the number of people seeking work. The number of people employed fell by 44,000, following a fall of 17,000 in

Mr Kim Beazley, employment minister, welcomed the fall and said the underlying trend suggested that the "shake-out" in employment was coming to an end.

However, economists said the figures showed that Australia's recovery from the 1990-1991 recession remained disappointingly slow.

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China taking fast lane to economic reform

The first party conference since Tiananmen Square opens next week. Simon Holberton reports

Communist Party officials who govern China's 1.2bn people gather in Beijing for the party's live-yearly conference. They will elect 20 men and women who will have day-to-day responsibility for China's development over the next five years.

This is the first meeting of the party since June 4, 1989, when the People's Liberation Army suppressed pro-democracy demonstrators in Tiananmen Square, leaving hundreds, perhaps thousands, dead and China's international image in tatters. Yet, as the delegates assemble in the Great Hall of the People, located on that square, they can be forgiven for feeling a little smug.

Three years after the blood letting in Tiananmen, life has returned to a semblance of normality and the economy is growing rapidly. Foreigners, whose governments shunned China's leaders, are scrambling over themselves to invest: tour-

ists are returning in droves. Internationally, China has regained much of what was lost in the immediate aftermath of Tiananmen, Most sanctions have been lifted; this year alone diplomatic relations have been opened with Israel, a host of central Asian republics, and, most recently, South Korea. Later this month Emperor Akihito of Japan will

pay a state visit. The collapse of the Soviet Union last year, however, looms large over next week's congress, the 14th in the party's 71-year history. It left China standing exposed as the last communist state of any consequence. The nation's leaders, secluded behind the high walls of Zhongnanhai, Beijing's Kremlin, were reduced to a state of shock.

Deng Xiaoping, the 88-yearold senior leader, seized the moment. The lessons he was quick to learn from the Soviet

NEXT Monday the 1,991 Union's demise were distilled in an internal party document circulated after his tour of southern China in January. Deng said economic reform had to be pursued vigorously and living standards raised if the Communist Party was to retain power; at the same time social and political controls

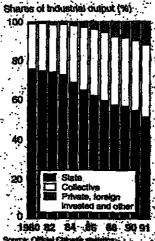
had to be strengthened. In short. Deng gave a ringing endorsement to perestroika without *glasnost*. Few analysts hold out any hope that the congress will initiate any political reforms; it is expected to focus on the economy and its further deregulation.

The results of the past 13 years of reform, as Deng has pointed out, have astonished the world. China's economy has more than doubled in size. On current trends it will double again by the end of the

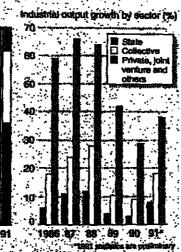
Last year real gross domestic product grew by 7 per cent. This year, after three years of self-imposed restraint, it may well rise by more than 10 per cent. Moreover, the congress is expected to endorse plans for the rapid modernisation of the economy. This may well be translated into a target of 9 per cent or 10 per cent annual growth for the rest of the

decade. During the first half of 1992, China's annual growth rate was more than 12 per cent. Industrial production rose by 18 per cent a year, consumer spending was up 14 per cent. The rapid growth in the economy was, however, fuelling inflation and harming the balance of payments.

By the middle of this year China's inflation rate was rising by 5 percentage points a year. The national figures, however, disguise inflationary pressures in the cities, where politically they matter most. Challenges to the central government's authority have traditionally been most strong in



China



The lesson Deng quickly grasped from the Soviet collapse was that China needed rapid economic reform alongside strong political controls

the cities at times of high infla-

For the first half of the year. prices were rising in the big cities at more than 15 per cent a year. Since June they have been growing at up to 20 per cent. This year's acceleration in the inflation rate has raised fears that China may be experiencing another of its "boombust" economic cycles. The last "bust" was in 1988/89 when credit was virtually halted and growth dropped sharply.

The extent to which the inflation reflects excess of demand and/or structural supply rigidities in the economy as it did in 1988 - or the effects of price reform is diffi-cult to determine. Already this year China has lifted price controls on 648 types of industrial commodities, from high quality steel to glass and some machinery parts, leaving 89

subject to control. As rapid growth took off this year, imports began to rise and the surplus on China's trade account of the balance of payments began to contract. In the first six months of this year, China's trade surplus was running at an annual rate of \$5bn, compared with \$8bn in 1991 and \$8.7bn in 1990. On current trends, China could have a

trade deficit in 1993. The prospect of a trade deficit should not, in theory, give rise to concern. For a developing country like China, a current account deficit can be desirable if imports go to improving the nation's infrastructure and not to satisfying consumer desires. Moreover, with foreign reserves of more than \$40bn, such a deficit should be manageable.

There is, however, anecdotal evidence that part of the import bill is going towards satisfying consumer needs. In Hong Kong, Mercedes Benz cars are disappearing from the streets at the rate of three a day to be smuggled by high speed boats to China.

In spite of the successes of the past 13 years, however, the legacy of central planning and Mao's penchant for massive industrial complexes - the Chinese version of "Stalinist giantism" ~ weighs heavily on

State industry, a third of



Deng: perestroika without glasnost

which could be profitable, still accounts for more than 50 per cent of China's industrial output. This industry - which in 1980 accounted for around 75 per cent of industrial output is growing painfully slowly and is dependent for its survival on subsidies.

Over the six years to 1991 the industrial output of state industries grew by about 7.5 per cent a year. This compares with 50 per cent growth a year for private and foreign-funded companies and about 18 per cent a year for collectivelyowned companies - enterprises run at the village or township level and outside the control of the central govern-

But instead of dealing with state industry - much of which in a rational economy would be shut down - there are signs that the government has simply shifted the burden of subsidies from the budget to the banking system, or, equally worrying, has been powerless to stop the banks from lending.

Investment by state companies in fixed assets by mid-year was growing at an annual rate of more than 35 per cent. fuelled by loans by state banks which totalled Yuan125.6bn (£13bn) - more than twice the planned level of advances of Yn60bn. This investment has led to higher output, but how much of it found its way to market is moot. By the end of June stockpiles of unsold goods produced by state companies stood at Yn139bn, 23 per cent higher than at the begin-

ning of the year. The behaviour of the banking system also underlines one of the central weakness of reform: China has few levers of macro-economic management. This is the consequence of an unprecedented decentralisation of economic decision-making without any strengthening of central government macro-eco-

nomic controls. Beijing has done little to develop a proper banking system and monetary policy: interest rates are virtually meaningless and quantitative controls on credit have weakened in the face of pressures provincial leaders put on bank managers to lend to local

On his tour of southern China earlier this year, Deng enunciated a set of ideas which are expected to be enshrined by next week's congress. The most important is that of the "socialist market economy". This gives theoretical justification to many of the changes planned, especially in the area of state industry and the further deregulation of prices.

The congress is expected to redefine state industry from being "state-run" to "stateowned". . This will pave the way for a separation of ownership from management.

Managers will become "independent" from their controlling ministry; managers will be given complete control over business policy, including remuneration and the hiring, firing and promotion of employees. Significantly, the party will permit company insolvencies.

China will also press ahead with share ownership and the development of capital markets; it may also encourage the development of large scale industrial groups.

Since the mid-1980s many foreign economists involved in advising China have been suggesting ways for it to reform the state sector. The creation of profit-seeking, rather than output-oriented, enterprise groups is one idea that gained widespread support and it is a model that may be endorsed by the congress.

Price reform is also expected to be embraced. With the economy growing strongly and incomes rising, it is thought that now is the best time to push ahead with reform of prices.

These are some of the areas which China's leaders are expected to attack.

But crucially in a country like China were the person is as important as the policy, the composition of the leadership will determine the vigour with which the plans are enacted. Next week, reformists may get their policies accepted on paper, but unless they emerge dominant from the congress they may find them very diffiEgypt presses **Israel** to withdraw ish at

By Hugh Carnegy

MR Amr Moussa, Egypt's foreign minister, made a trip at short-notice to Israel yesterday in an apparent effort to persuade Israeli leaders to make commitments to withdraw from occupied Arab lands as a way to ensure progress at Middle East peace negotiations due to resume in Washington later this month.

It was the highest level visit to Israel by a minister from Egypt - the only Arab state to have made peace with the Jewish state - since 1987.

In talks with Mr Yitzhak Rabin, the prime minister, and Mr Shimon Peres, the foreign minister, Mr Moussa discussed ways of advancing the bilateral negotiations under way for almost a year between Israel and, respectively, Syria, the Palestinians, Jordan and Lebanon. He said he had conveyed a message to Mr Rabin from President Hosni Muharak.

The main focus is on the talks with Syria and the Palestinians. At the last round in the US capital last month, the chief obstacle in both cases was Israel's reluctance to detail how far it was willing to carry its general commitment to trade some occupied land in both the Syrian Golan Heights and the Palestinian West Bank and Gaza Strip.

"We are trying to build confidence." Mr Moussa told report-

Savimbi 'conceding defeat'

SENIOR aides to Mr Jonas Savimbi have assured the US that the Angolan rebel leader will accept the results of his country's elections and not resume the civil war, President George Bush's top Africa adviser said yesterday, Reuter reports from Washington.

Appearing at a congressional nearing, Assistant Secretary of State Herman Cohen was asked what would happen if Savimbi's Unita rebel forces "returned to the bush".

not do that. I've had some private assurances from some senior associates of Dr Savimbi in the last days that they will abide by the [election] results,

Referring to the possibility of renewed warfare, Mr Cohen said Unita (Union for the Total Independence of Angola) "know of course that this is an impossible procedure. There will be absolutely no support in the international community or internally for such an

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Reports from Luanda said Mr

Angolans say they fear Unita's defiance of international opinion may be the prelude to renewed civil war.

PRIVATISATION GREEK EXPORTS S.A.

ANNOUNCEMENT GF A PUBLIC TENDER FOR THE HIGHEST BID FOR THE PIRAIKI-PATRAIKI GROUP COMPANIES

GREEK EXPORT S.A., with registered office in Athen pilly represented, as liquidator in accordance wit as supplemented by article 14 of Law 2000/91, a public tender for the highest bid with sealed, binding offers for the purchase, as whole, of the assets of the following companies

1. PIRAIKI PATRAIKI SYROS SPINNING MILLS S.A., registared in Syros and engaged in the production of years (cotten and mixed polyester and cotton), it is the only factory of the P-P group which produces mixed years.

It is equipped with 24 ring machines and 8,392 spindles. The factory is in the Enthermon area of Ermospolis, Syrus, on self-owend land 5,726m² in

2. PIRAIKI PATRAIKI NEA PERAMOS SPINNING MILL S.A., registered at Nea Peramos and engaged in producing NE36 on average combed cuttom years and small quantities of carded NE27-40. It has 354 ring machines and 68,208 spindles.
The factory is on the 32nd Km. of the old Athers-Corloth national road in a fenced plot of land 69,678or in area.

3. PIRAIKI PATRAIKI SAMOS SPINNING MILL S.A., registered in Samon, produces combed cotton years with 40 ring machines and 24,480 subdies in a factory with an area of 12,626mf in the Varrella district of the community of Valily on a plot of land 184.474mf in area. 4. PIRAIKI PATRAIKI CHALKIDA WEAVING MILL S.A., registered in Chalkida producing ubleached sotton faller's. The weaving mill is considered one of the largest in Greece in terms of looms with 182 installed Subser 133 looms and 88 Subser 110 looms. The factory (104,248m?) is in the Vrontou district of Chalkida (within the trum plan) on a plot of land 42,880m? in area.

S. PIRAIKI PATRAIKI KARPENISI SPINNING MILL S.A., registered in Karpenisi, produces cotton carded, open and years with 64 ring

PIRAIKI PATRAIKI COTTON MANUFACTURING CO. S.A., registered in Albents, 8 Dragatsoniou Street, has the largest turnover in Greece in lexilles and effects sales and purchases for account of its subsidiary companies on the Greek and foreign markets.

7. PIRALKI PATRAIKI PATRAS SPINNING AND WEAVING MILLS S.A., registered in Patras is a vertical spinning and venving unit of a size, technological level and expertise in specialised textile products that is unusual for Greece. Its spinolog and weaving mile, dyelog and finishing, etc. installations are the main production units on a 52-acre plot of Land and in buildings with a lotal volume of 719,000m².

8.PIRAIKI PATRAIKI REA IONIA SPINNING & WEAVING MILLS S.A. registered in Nex Ionia, produces cotton yarns and fabrics in a factory of 92,820m* (fand plot 20,218m*) on the corner of 2 A. Passgoull and 6 Sinisosgiou streets in Nex Ionia. The factory uses 12 PLAT 40 machines with 6,584 spindles and 96 SULZER 153 Ioons as well as a full equipment of production support machinery.

Fuller and more detailed data on the company's fixed assats (plots of land, buildings, machinery, etc.) as well as data on corrent or circulating assets (reterves, claims, etc.) are contained in the offering menorandums.

Interested parties are called upon to receive from the liquidator the Offering Memorandum (if they have not already done so) and to submit a sealed, binding offer in the rotary public appointed to the tender up to 30th October 1992 at 12 room. The offer is to be submitted in person or by a legally authorised representative and the relative doctoment of submission will be distribed.

a) PIRAIKI PATRAIKI SYROS SPINNING MILLS S.A.: Evangelia Georgius Sofikitos, 13 Emm. Roidi Street Cist floor), Syros, 7el 30-281-24439, 30-281-26939.

t) PIRAIKI PATRAIKI NEA PERAMOS SPINNING MILL S.A.: Constantina Americasion Vassiliou, 104 Acolon Struct, Athens, Tel. 30-1-321.7222, 30-1-321.1162. c) PIRAIKI PATRAIKI SAMOS SPINNING MILL S.A.: Joannis Michael Kirasis, Vathy, Samos.

© PIRAIKI PATRAIKI CHALKIDA WEAVING MILL S.A.: Loznala Efstathiou Geroglaunia, 22 EL Verizziou Street, Tel. 30-221-29343.

el PIRAIKI PATRAIKI KARPENISI SPINNING MILL S.A.: Irene Papartopoulou-Aparioti, Karpeniai, Tel. 30-257-22922. () PIRAIKI PATRAIKI COTTON MARUFACTURING CO. S.A.: Dimitries Constantinou Dimitrilles, 62 Acadimies Street, Oct (1001), Tel. 30-1-363.5520, 30-1-361.2938.

q) PIRAIKI PATRAIKI PATRAS SPINNING & WEAVING MILLS S.A.: Propoils Vessilieu Koldezis, 31 Patrees & 31 Maizones Street, (1st floor), Patres, Tel. 30-1-6-277.765.

h) PIRAIXI PATRAIXI NEA IDNIA SPINNING & WEAVING MILLS S.A.: Aristomenis Dionysiou Mihalopoulos, 9 George Street, Tel. 30-1-360.4507.

3. The scaled, blading offers must clearly state the offered purchase price, as a whole, of the assets of the company and must be accompanied by a letter of guarantee from a bank legally operating in Greece for the amount of 250,000,000 dractmass or its equivalent in U.S. dollars for the PIRALKI PATRAILKI COTTON MARBYPACTURING CO.S.A. For the other companies, the armost is 100,000,000 dractmass separately for each. In the event of a global offer for all the companies of the giroup, the letter of guarantee should be for 500,000,000 dractmass.

FOR MULTIPLE OFFERS (MORE THAN ONE COMPANY OR THE ENTIRE GROUP) THE PRICE OFFERED FOR EACH COMPANY MUST BE INDICATED AND THE GUARANTEE MUST REPRESENT THE TOTAL AMOUNT OF THE GUARANTEE FOR EACH SEPARATE COMPANY.

In the event that the bidder to when the assets for sale have been awarded should fall in his obligation to present himself, at the invitation of the liquidating company, and skys the reliable contract width thirty LSD days of being invited to do so, or whide by the other obligations according from this amountement, then the deposited guarantee is forfeited in favour of the Equitating company GREEK EXPORTS S.A. to cover all expenses of any kind and three spent, as well as any actual or hypothetical less without any obligations on the part of the floatistor to glave an according of them, or GREEK EXPORTS S.A. having the added right to consider the forfeiture as a penalty clause, in which case again it can retain the quarantee or Collect it from the consents have

Guarantees deposited for participation in the tender are returned to the other bidders after the adjudication of the tender to the highest bidder, after the agreed purchase price has been paid and the act of settlement drafted.

6. Trans taking part in the bender and submitting bids do not accurre any right, demand or claim, from the present acconnecement and from participation in the bender, against the liquidator for any cause or reason.

7. Any changes that may arise in the current assets of the companies between the date of commoncement of the tender, will be adjusted accordingly in the sales prices, their evaluation being made with the same method as the the start of the liquidation. For this reason bids must clearly indicate the amount foreseen for reserves and claim.

8. Transfer expenses (taxes, stamp duty, notary and martigager's fees, dats and other expenses for drawing up topograph Law 653/77, etc.) are borne by the buyer.

ring more than one company should be submitted to one of the notaries appointed to the companies concurred. For more information, interested parties can apply to GREEK EXPORTS S.A., 17 Passesistimion Street, Athens, Tel: 30-1-924.3111/5, Fac: 30-2-923.4185 and to the INDUSTRIAL RECONSTRUCTION ORGANISATION ORD), 234 Sympos Ave., Athens 176 72, Tel: 30-1-951.3224, Fac: 30-1-956.8788 and 30-1-965.3285.

Tajikistan peace force planned

Moscow.

PRESIDENTS of tes fearing Talikistan's worsening war and the growing influence of its Islamic groups, plan to deploy a peacekeeping force to separate the combatants, officials in Dush-

anbe said yesterday. The fighting, which has killed more than 2,000 people this year, paralysed the local economy and left the government in chaos, is a main topic at a CIS presidential summit which starts today in Kyrgyzstan, Tajikistan's neighbour. which is potentially threatened by the violence.

Tajikistan's combatants have agreed to accept a peacekeeping force from Kyrgyzstan, political leaders said in interviews. But, a month after a coup removed hardline President Rakhmon Nabiyev, the Commonwealth's south-eastern corner still seems unlikely to stabilise soon.

Diplomats say this is partly

because arms are flowing in to each side from Afghanistan Youth forced him to resign. the and elsewhere, and neither is Fighting escalated, despite his Commonwealth of Independent likely to surrender when power removal.

Both sides have become only more polarised in recent weeks, as islamic leaders behind the new government have largely marginalised their secular allies in the former opposition to Mr Nabiyev. Now, Tajikistan's most powerful political forces are the republic's paramount Moslem leader, Qazi (judge) Akhbar Toradzon Zoda, and the Islamic Renaissance party.

The attempt to pacify Tajikistan follows more than a year of upheaval. In May, Mr Nabiyev surrendered one-third of his 24-member cabinet to the opposition after a bloody, 51day standoff in Dushanbe. Immediately afterward, however, ethnic warfare broke out between regions loyal to the competing political sides. On September 7, Mr Nabiyev was lured to Dushanbe Airport, where armed men from a

group calling itself Tajikistan Tynbe, and at the Sharshar A kev

President Boris Yeltsin has been release of the beleaguered 201st CIS division, which has been trapped by the fighting. The fighting has alarmed Mr Islam Karimov, the Uzbekistan president, who has tightened the border considerably in recent weeks. Rail services from Uzbekistan have been halted, except for trains from

The chief aim of the proposed peacekeeping force is to dislodge the warring forces from the southern region of Kurgan-Tyube, where almost all the fighting has taken place. Villages near the region have emptied, as tens of thousands of refugees have fied. The Kyrgyz force would be

deployed in two areas, according to Mr Shadman Usupov, chairman of Tajikistan's Democratic party - the town of Kaleninabad, north of Kurgan-

Pass, just north of the southern region of Kulyab, a stronghold of Mr Nabiyev.

national army when the Soviet Union dissolved last December. The new government is being defended by combined forces loyal to the IRP and Mr Zoda, the Islamic leader. Their forces are mostly from the eastern region of Garm, and have received hundreds of guns from Afghan rebels, military officials say.

The anti-government side is composed almost entirely of men from Kulyab, and has been armed in the past from government caches. Other weapons have come from CIS arsenals. Two weeks ago, for example, anti-government forces stole four Soviet tanks and six other armoured vehicles from the 201st.

"We cannot be safe when any gang can take a tank and destroy a city or a village," said Tajikistan's deputy KGB chief, Mr Jurabek Aminov.

Mr Cohen said

operation".

Savimbi, yesterday secluded in a Unita stronghold more than 300 miles from the capital, was holding out against international pressure to accept defeat in elections.

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Bush attacks

Clinton over

anti-war role

PRESIDENT George Bush has picked up

a theme previously confined

to the right wing of the Republican party and accused Mr Bill.

Clinton of unpatriotic behav-

iour in his activities against

the Vietnam war more than 20

years ago. Mr Clinton's campaign

immediately dismissed the president's charges, aired in a

television talk show appear-

ance on Wednesday night, as "a sad and pathetic ploy by a desperate politician".

Mr Bush went so far as to

suggest that a trip Mr Clinton

made, early in 1970, to the then

Soviet Union was somehow

linked to his part in anti-war protests while he was a stu-

dent at Oxford. "I cannot for

the life of me understand

demonstrating against your

own country when you are in a foreign land," the president

He then questioned Mr Clin-

ton's mission to the Soviet

Union. "To go to Moscow, one

year after Russia (sic) crushed

Czechoslovakia, and not remember who you saw

there. :. You can remember

who you saw in Oslo but you

can't remember who you saw

raised last week in late-night speeches in the House of Rep-

resentatives by Congressman

Robert Dornan of California, a

red-bearded, red-blooded con-

servative known for his scath-

ing attacks on any Democrat,

These were then picked up

over the weekend on late-night

radio talk shows, one of whose

hosts reported many calls on

the subject from clearly conser-

vative listeners. The Washing-

ton Times, a Republican propa-

ganda conduit, has put them

on the front page all week. The

particularly on Mr Clinton.

These allegations were first

declared.

mainstream media, until Mr Bush's intervention late on Wednesday, had treated them with some disdain because of

But the Bush-Quayle cam-paign had chipped in with a vengeance earlier on Wednes-

day. Ms Mary Matalin, its com-

bative political director, issued

a statement questioning Mr

Clinton's "blithe dismissal that

there is nothing odd about a

noted anti-war activist visiting

a country that was providing

the weapons and know-how to

kill American soldiers in

Mr Clinton's camp has

drawn immediate comparisons

with similar tactics used before

the British election last April, a campaign closely studied by Republican strategists. Particu-

lar attention is drawn to

articles in the London Sunday

Times last February about vis-

its, with implied dark motives,

made by Mr Neil Kinnock, then

leader of the opposition Labour

party, to the Soviet embassy in

The Democratic candidate

has conceded that he took part

in anti-war protests in London,

though he did not lead them.

and that he did meet in Oslo

the Rev Richard McSorley, a

prominent anti-war activist

from Georgetown University in

Washington, where Mr Clinton was an undergraduate.

The Republicans think that

there is more to be elicited and

that Mr Clinton can be dis-

tracted from his main message

on the parious state of the US

economy. However, all the

assaults so far seem to have

had minimal public impact, at

least as registered by the polls.

dent candidate, did seem to

Mr Ross Perot, the indepen-

lack of substantiation.

By Jurek Martin, US Editor, in Washington

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Democrat line on tax code criticised

By Nancy Dunne in Washington

TAX proposals by Governor Bill Clinton, Democratic presidential candidate, to keep US factories in the country would further complicate the US tax code and cause "a terrible misdiversion of tax energy", according to Dr Gary Clyde Hufbauer, author of a new study from the Institute of International Economics.

He proposes restructuring the US tax system for multinationals to encourage both exports and foreign investment in the US, and to reverse the bias against US production of high-technology goods. He also urges co-operation among the leading industrial countries in devising common rules on taxation of foreign earnings.

Taxation of foreign subsidiaries in the US is a presiden-tial campaign issue. Mr Clinton has suggested \$45bn (£25.2bn) can be raised over four years by requiring foreign companies "to pay their fair share". Legislation put to Congress this year would require a minimum tax on foreign companies which underpay their US tax

through transfer pricing.
The study concluded that the US could raise \$6bn a year through improved enforcement of transfer pricing and the use of a timely arbitration procedure to settle disputes. Implementation of all their reforms would yield \$12.3bn annually. In taxing multinationals,

they recommended: An end to taxing income earned by US companies from their foreign operations, while abolishing the foreign tax credit for earnings abroad. Increasing the Foreign Sales Corporation exemption from 15 per cent to 40 per cent.

score something of a public hit • Ensuring that royalties and with his half-hour, paid-for special on the economy, broadcast fees earned overseas by US on Tuesday night. Overnight companies are taxed solely by ratings showed it attracted the US at normal corporate 16m viewers and, perhaps rates. (Technology income helped by a big baseball game earned abroad is almost tax-exhaving preceded it, was the empt now, while technology second most-watched show in income earned by the same its time slot. companies in the US is normally taxed at 34 per cent.)



PRESIDENT Desmond Hoyte of Guyana (pictured above) has threatened a legal challenge to the results of the elections on Monday which his People's National Congress party lost to the People's Progressive party of Dr Cheddi Jagan, Canute

James reports from Georgetown. Dr Jagan, 74, a former Marxist who now

advocates a market economy, is to be sworn in as president at the weekend. He has promised to name a cabinet representative of both the sometimes antagonistic ethnic groups in the country, those of Indian and African descent.

Mr Hoyte, although saying his party accepted the result for the time being, should be accepted by all parties.

its right to approach the courts for adjudi-cation on "administrative and other irregularities during the elections". However, foreign monitors called the

poll free and fair. One of them, former US

CBS to open up Black Rock

Alan Friedman reports on new tenants for a New York landmark

OULD William
Paley, the founder of
CBS Television, turn in his grave?

whispered around the elegant, black granite Manhattan headquarters of CBS, known affectionately as Black Rock. CBS, which has been cutting costs under the stewardship of Mr Laurence Tisch, the billionaire investor who controls the network, has decided to let a piece

of the rock to outside tenants. Black Rock, set back from Sixth Avenue and distinctive for its Canadian black granite exterior, is not merely the CBS headquarters. It is a New York architectural landmark and is known fondly as The House That Paley Built.

The 35-storey building, which eight months ago Mr Tisch began housing CBS staff in 1964, was designed by Eero Saarinen, the same architect who fathered both the Vivian Beaumont theatre at New York's Lincoln Center and the

That is the question being unusually shaped TWA termi-

> Airport. In 1988, when CBS sold its records division to Sony of Japan, the lower floors of the building were taken over by what is now known as Sony Music. But Sony is moving its

agreed to let up to 16 floors to the blue-chip Manhattan commercial real estate firm of Edward S. Gordon.

Mr Stephen Siegel, chief

executive of Gordon, said yesterday that the architects hired

Still untouched is the wood-panelled suite once occupied by Mr Paley himself

nal at Kennedy International

to refurbish the lobby had strict instructions to do nothing that would alter Black Rock's character. He also noted with pride that six floors of Black Rock have already been let to Wachtell, Lipton, Rosen .& Katz, one of New York's staff to another location and leading corporate law firms.

And there is interest from MasterCard, the credit card company. Still untouched however, is the grand woodpanelled 35th-floor office suite that was once occupied by Mr Paley himself.

A CBS spokeswoman, asked whether Mr Paley would turn in his grave at the thought of outsiders coming into Black Rock, declined to answer, describing the inquiry as "tacky". But the more commercially minded Mr Siegel had no qualms responding: "I really don't think so. I honestly believe Paley would realise the prudence of this. The business has changed. CBS has less personnel and less need of space. I think this is a good business

Ground crews' strike ends at USAir

THE strike by some 8,300 ground crew workers against USAir, the US airline in which British Airways wants to invest, ended yesterday morning after a "tenative contract agreement" between management and the International Association of Machinists, writes Nikki Talt in New York. The IAM has indicated that it will recommend the accord to its members, said USAir, but ratification by the rank-and-file is required.

The strike began on Monday and caused USAir to cut daily jet departures by 40 per cent The carrier said that normal schedules should be on again by Monday.

• The three largest US airlines yesterday claimed BA's warning that US disapproval for the USAir deal would have severe consequences for airline deregulation was "baseless".

Brazilian debt job

Mr Pedro Malan, Brazil's chief debt negotiator, has agreed to stay on under the new government of Acting President Itamar Franco, writes Christina Lamb in Rio de Janeiro.

This will come as a relief to foreign creditors worried that the political changes might affect the recently negotiated termsheet over Brazil's \$44bn commercial debt. The Senate is to vote in the next few weeks on whether to approve the text.

Argentine rates cap

Argentine economy minister Domingo Cavallo has announced a package to reduce business costs, writes John Barham in Buenos Aires.

Among the measures are a cap on interest rates of 27 per cent a year at state banks. a reduction in employers' social security contributions, and a further round of deregulation. Also, new tax rebates and incentives aim to encourage exports and imports of capital goods. Initial estimates put the cost of the package at the equivalent of more than \$1.3bn a year.

"WHOSE BUSINESS SCHEDULE ARE you WORKING TO?"

"We apologise for the delay of flight 104..." Sound familiar? Well you'd better get used to it.

Research shows that over the next ten years the number of passengers using commercial airlines is expected to double.

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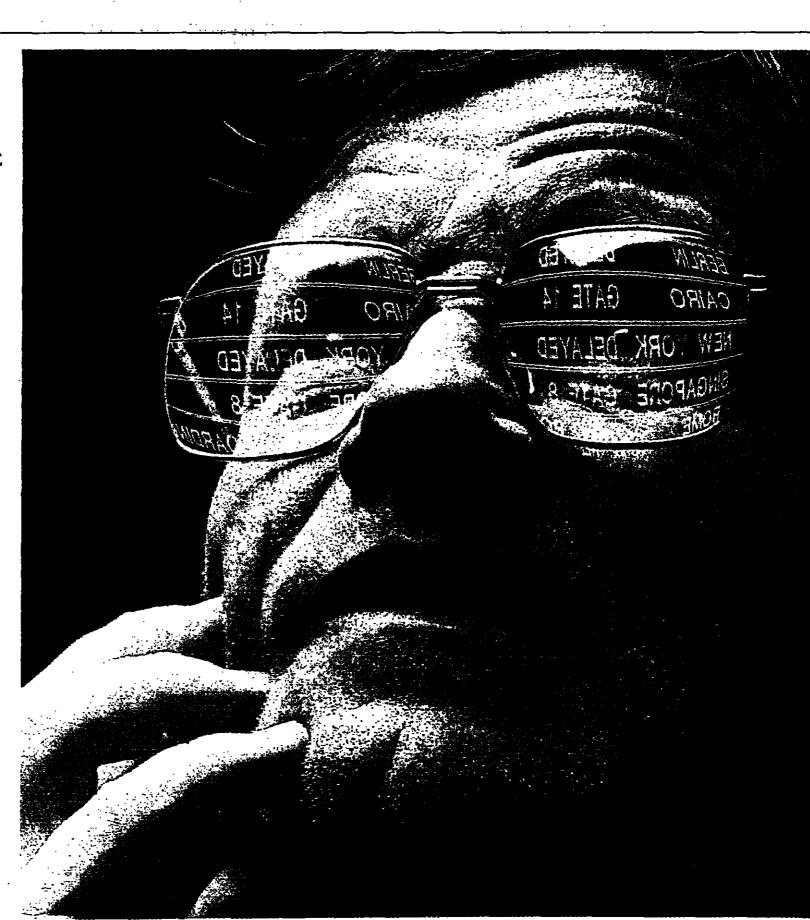
For many companies the solution to this long-standing problem has been the corporate jet.

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Cool reception for Lamont speech Chancellor moves to plug the policy gap MR NORMAN Lamont's new framework for economic policy

met with a mix of cautious approval, scepticism and outright hostility within the financial markets and industry.

There was some praise for the chancellor's effort to set out an explicit inflation target, but doubts were expressed as to whether it would stick.

There were also some worries about whether the fall in the exchange rate since sterling's devaluation would be enough to produce an economic recovery, without lower base rates in the near future.

The Confederation of British Industry said the chancellor's inflation target appeared "realistic and sensible" and it welcomed the recognition of the importance of the exchange rate in the conduct of mone tary policy.

But it said the burden of con-

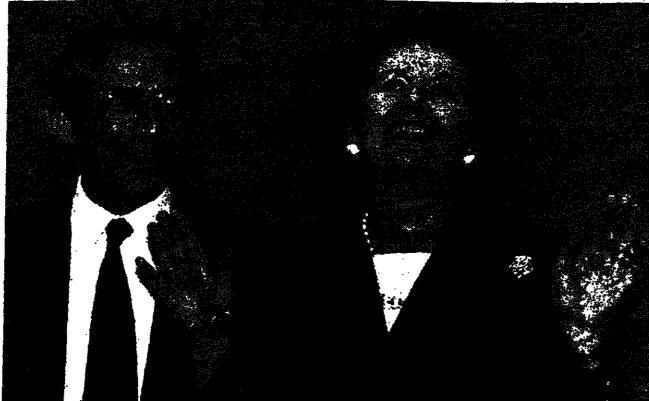
trolling inflation had to be spread more evenly between public and private sectors, without endangering public investment programmes. The Institute of Directors

welcomed indications of tighter public expenditure controls and hoped confidence generated by the policy would allow further interest rate cuts. But the Federation of Small Businesses said there was nothing in the speech to lift confidence. Mr Ian Handford, chairman of the federation's policy unit, said: "Concentration on lower and lower inflation, cutting public expenditure and lower taxation implies more of the same medicine, at

whatever cost in terms of business failures and job losses." In the City, Mr Gwyn Hacche, an economist at stockbrokers James Capel, said:" Much of what Mr Lamont had to say reflects old ideas which we saw in the 1980s, when they were not very successful."

Mr John Shepperd, an economist at S.G. Warburg Securities, the investment group, said he was worried by the idea of an inflation target, a lagging indicator. This could mean that hy the time inflationary pressures had built up causing the target to be exceeded, it might be too late for the government to take action.

Parts of industry were more openly hostile. Mr David Holloway, president of the House



Thatcher's last stand: the former leader acknowledges her ovation yesterday as Sir Norman Fowler, party chairman, looks on

some tricks. Lady Thatcher

arrived at the start of a lack-

lustre debate on the environ-

inappropriate policies. Mr Joe Dwyer, chief execu-WITH her Exocet already fired tive of Wimpey, the construcin the national press, Baroness tion group, said the chancel-Thatcher steamed in to the lor's failure to address Tory conference yesterday to

Britain's economic problems gauge the damage. Her reconnaissance mission was a "ferocious blow" to industry, which was dying must have reached painful while the economy stagnated. conclusions. For while her Unions reacted angrily to the derisory attack on Mr John Chancellor's speech. Mr Nor-Major's policy in The European man Willis, TUC general secrenewspaper had clearly holed tary, called Mr Lamont a "do the Tory ship of state, but little" chancellor and urged failed to sink it. him to restart the economy

Builders Federation, said the

government was "sleep-walk-

ing to disaster" by pursuing

through the targeted expansion

of public spending on housing,

Mr Gavin Laird, general sec-

retary of the AEEU engineer-

ing and electrical union said:

"It was a limp speech from a

wilting government. We are

waiting for an economic strat-

egy to revitalise industry and

Michael Cassell

it was not forthcoming."

transport and inner cities.

As she swept to the platform, those of her supporters capable of objective analysis must have detected subtle changes in her reception.

The standing ovation she received roughly matched the decibels of last year, but its duration was a paltry three minutes – a 60 per cent devalnation of the nine she recorded in Blackpool. The bulk of the platform remained seated. It was clear too that the con-

ment and was placed between the uncharismatic Leader of the Commons, Mr Tony Newton, and Lord Strathclyde: well below the salt. Mr Major, meanwhile, was

nowhere in sight. When the cries of "speech" started up, Sir Norman Fowler was swiftly at her side to record the ritual modest refusal. Token resistance was mani-

fest in the waving of the odd Union Jack, a scribbled banner labelled "Come Back" and another, more apposite perhaps, inscribed simply: "Help". But it was quickly over.

Pitting her personal following against the Tories' obsession with unity before idealogy, Lady Thatcher was playing a high risk game. And and Peter Marsh ference managers had learnt sell-by date, the reception she

received showed that even the best-known brand names have a limited shelf-life.

The conference was keen to ommunicate its own message to the former leader. When Mr Michael Howard, the environment secretary, offered Mr Major a compliment - "If ever a man has earned our loyalty, he has" - the fervour of the applause was long and loud.

It was a doughty lady delegate from Cornwall who tapped the conference's sonl when she warned to thunderous applause: "There are enough speculators and media commentators rocking the boat, we do not expect the elders of our own party to do so too."

Unchastened, she may have been. But Lady Thatcher. nonetheless, felt obliged to of the European exchange rate

Ivo Dawnay

R Norman Lamont's won few fans in Brighton yesterday. The Conservative conference gave the chancellor a brief standing ovation that was loyally cor-rect and far from enthusiastic,

down by 2 pfennigs. But the policy to fill the gap-ing hole in monetary discipline caused by Britain's withdrawal from the European exchange rate mechanism contains two potentially far-reaching inno-

while the City's immediate

response was to mark sterling

· For the first time a British government is setting an explicit inflation target: of between 1 per cent and 4 per cent for retail prices excluding mortgage interest payments. The government's ambition is that this measure of "underlying inflation" should be in the lower part of the range by the end of the current parliament in four-and-a-half years time. In a nation where policy making is normally shrouded in the greatest secrecy, the chancellor has promised to make monetary policy more accountable. If inflation moves outside the targeted range, Mr Lamont has committed the

wrong and how it plans to correct matters. The Treasury and the Bank of England hope these ele-ments will help the policy establish credibility. For in other aspects, the plans in Mr Lamont's party conference speech and in a letter to Mr John Watts, the chairman of the Commons Treasury and Civil Service Committee, are a re-run of the policy used by the

government to giving a full explanation to parliament and the markets of what has gone

Conservative government in the mid-1980s. Then as now, policy was guided by a number of monetary indicators and tempered by Treasury judgment. This approach was abandoned by Mr Nigel Lawson in favour of shadowing the D-mark in 1987 and eventually replaced by sterling's ill-fated membership

Bank of England governor defends tactics A spirited defence of Britain's tactics in attempting to keep the pound within the European exchange rate mechanism was given last night by Mr Robin Leigh-Pemberton, governor of the Bank of England.

Speaking in Cambridgeshire, he said Britain did all it could to defend the pound by concerted Bank intervention on currency markets. Any decision to raise interest rates earlier than Black Wednesday on September 16 — when sterling was forced to leave the ERM — would have been regarded as 'quixotic" given the depth of the UK recession.

Mr Leigh-Pemberton attacked the notion of penalising foreign exchange "speculators" in their role in selling sterling prior to and on Black Wednesday. He said such moves would be unteland hinder the efficient operation of capital markets,

Mr Lamont promised yesterday that the government would look at monetary aggregates, asset prices - including house prices, and the exchange rate in determining when and by how much it should alter rates. This will be backed by "the tightest control of public spending" including a clampdown on public sector nav.

But the chancellor's letter to Mr Watts stressed that there

The new framework contains two innovations. writes Peter Norman-

will be no question of making monetary policy with an auto-matic pilot. Judgment will affect the very cornerstone of policy, for example. "The strength or weakness of the economy will affect the pace" at which the UK moves towards its long term inflation objective.

Similarly on the exchange rate, there will be no target range, nor any shadowing of another currency. On the other hand, the government will not let the exchange rate "go where it will". The government will seek to avoid overshooting and undershooting. "The test is whether we believe a move-

ment in the exchange rate [as defined by the sterling exchange rate index) or a particular level of it, sustained for a period, is likely to jeopardise the inflation objective."

Mr Lamont is wary of the monetary indicators that will help underpin his policies. MO, the narrow measure of money supply which the government targets, is behaving itself and close to the centre of its 0 to 4 per cent target growth range. But his letter admits that the use of M0, which comprises mainly notes and coin in circulation, "is limited to providing a timely guide to current

behaviour in the economy." Past experience suggests it would be unwise to establish a formal target for M4, the broad money measure. Instead, the chancellor intends to announce "monitoring ranges" for M4 beyond which its movement would be "increasing cause for concern" in next month's

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Autumn Statement. The Bank and Treasury will study various weighted broad money indices, such as the Divisia index, which has followers in the City. But Mr Lamont said it was too early to give these measures a formal place in the way monetary conditions are assessed. He will also monitor asset prices, particularly when house prices are falling or accelerating sharply.

Mr Lamont's guarded exposition of his new policy reflects a realisation among policymakers that there is no magic formula for operating monetary policy.



from the NOMEX* in his fire proof overalls. and the KEVLAR' in his SILVEBETONE' brake pads to the SILVERSTONE* OBSTROLLS WITH coated pan that helped SLEAS - LYCHA scramble this morning's TYVEK . C . D M A L . W. eggs, products discovered DACADM . M . LAR by Du Pont bring comfort, FITON CORIAN safety and convenience STAIRMASTLA + TEFLOR to every part of their lives KAPTON I BY VAEC ... your life too. REVERT COLLECT One of the world's great science and discovery companies for almost 200 years. Du Porti today is a major European supplier of products and technologies that protect and improve our daily lives. If you regard Du Pont as a company with whom you should be sing business, or if you would like more information on its activities roughout Europe, please write to Wijnand van Lanschot Hubrecht, Manager Marketing Communications, Du Pont de Nemours Intil, 2 ch. du Pavillon, P.O. Box 50, CH-1218 Le Grand-Saconner, Switzerland.



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CANARY Wharf's bankers yesterday refused to make a no-strings offer of cash to build the Jubilee Line extension, making it almost inevitable that the line to the office -complex in London Docklands will not be built.

The bankers had already made a £390m offer condi-Honal on government officials moving to Canary Wharf, the development in East London. But the government does not regard that as a proper offer, under the terms it laid down.

The government has said that the Jubilee Line would only go shead if there is a £400m private sector contribution to its £1.8bn costs. But this contribution must not depend on any form of government support, such as rent from a government depart-

If the Jubilee Line extension is scrapped, which is almost inevitable, the administrators of Canary Wharf will have enormous difficulty finding tenants for the £1.5bn development, bankers said.

"We will have to go back to the drawing board to decide what to do with the project", a banker said. One option, he said, was to mothball most of the 15 buildings for a number of years, until the property

market recovers. The bankers had hoped the Department of Environment would relocate its office to Canary Wharf. But a govern-ment adviser said yesterday that the Department was now likely to move its officials to empty government buildings in central London.

London Regional Transport is making a last ditch attempt to save the Jubilee Line. It commissioned a study from the consultancy London Economics on the net costs of the line to the government, taking account of indirect and direct tax revenues generated by the construction project and social

security savings. It estimates the net costs at £972m, even without a private sector contribution.

Fury in coal industry at pit closure plans

MINERS' leaders last night expressed fury over British Coal's plans to announce a sweeping programme of pit closures and job cuts as early as next week to clear the way for privatisation of the state-

owned company.

The National Union of Mineworkers (NUM) called on Mr Michael Heseltine, trade and industry secretary, to resign while the moderate Union of Democratic Mineworkers called for a national strike to defend the coal industry.

The government is deter-mined to press ahead with restructuring of British Coal in spite of the more than 25,000 jobs which would be lost. An announcement next week

would pre-empt the reconvening of parliament on October

Mr Heseltine refused to confirm the timing of the announcement, but told a television interviewer: "We are facing extremely difficult decisions.

According to documents leaked this month from the Department of Trade and Industry, British Coal intends to shut 30 pits.

The NUM was angry with reports that Mr Heseltine had said decisions were being forced on the government because of the coal industry's poor performance. Mr Frank Cave, the union's vice-president, said Mr Heseltine's comments were "quite simply untrue".

He added: "Either he is seeking deliberately to mislead the public or he is appallingly ignorant about the coal industry...he should resign."

The NUM said the closures

would cost £2.1bm a total of 50,000 jobs would be lost in in related industries and unemployment benefit and lost taxation would cost £600m a year. Mr Neil Greaterex, Notting-

hamshire president of the UDML said: "What we need is a general strike. It is not just miners' jobs at stake here." Mr John Cummings, MP for Easington where two of the threatened pits are located,



Uncertain future: thousands of miners are facing redundancy ahead of privatisation amid plans to close 30 British Coal pits

claimed that the recent devaluation of sterling had made domestic coal more competitive with cheap imports. Imported coal had risen from £36 a tonne to £39, close to British Coal's £43 a tonne.

Although the restructuring of British Coal will add to the government's economic woes, Mr Heseltine takes the view that shrinking British Coal to a commercially viable size remains the overriding objective. British Coal relies on artificially priced coal sale con-

tracts to maintain its present

Mr Tim Eggar, the energy minister, has also indicated that he will press ahead with a parliamentary bill to privatise British Coal even if a new set of contracts, currently under negotiation with the electricity generators, is not agreed soon.

The electricity industry is still haggling over the details of the new contracts. Industry sources indicated that another week or 10 days might be needed to conclude them.

Insurers close to deal on Maxwell

By Jimmy Burns and Andrew Jack

LONDON insurers are close to a settlement over a £20m policy on the life of the late Robert Maxwell in a bid to avoid a costly legal battle.

An out-of-court settlement is under discussion involving the insurers, Maxwell companies, and administrators who have failed to agree on the cause of Mr Maxwell's death off the Canaries on November 5 last year. The insurers, which include Lloyd's syndicates, would pay a figure believed to be in the region of £6m without accepting liability.

The policy was taken out on behalf of two companies in the private Maxwell business empire - Robert Maxwell Group and Headington Investments - and Mirror Group Newspapers and Maxwell Communication Corporation.

Under the terms of the policy, brokered by Willis Wrightson, the UK subsidiary of Willis Corroon, the full claim could be triggered only if Mr Maxwell died from accidental causes or murder. The policy is invalid if Mr Maxwell committed suicide, or if he lied about his health when applying for

Maxwell is believed to have stated that he had no health problems.

Mr Roger Rich, of loss adjusters Rich Wheeler & Company, who has acted on behalf of the insurers, remains convinced that the most likely cause of death was suicide.

Investigators acting for the beneficiaries have ruled out murder and a heart attack. They have concluded Mr Maxwell drowned after accidentally falling into the sea. Mr Maxwell is known to

have had part of one lung removed, and had been suffering for years from fluid and respiratory problems. Spanish pathologists concluded Mr Maxwell could have died from a heart attack in the water. Barclays Bank failed yester day in a Court of Appeal bid to reverse a High Court ruling that it must face proceedings in the New York Bankruptcy Court over a disputed \$30m it received from Maxwell Com-

Last July, a judge rejected an application by Barclays for injunctions to prevent MCC's administrators, Price Water-house, from bringing proceedings in the US courts for the In his policy application Mr return of the money.

munication Corporation just

before MCC went into adminis-

EC warns against cuts in regeneration funds

regeneration programmes which benefit from EC aid should be protected from public expenditure cuts, Mr Bruce Millan, the EC Commissioner for the regions, said last night, John Willman writes.

In a lecture to the Audit Commission, Mr Millan warned that cuts in government spending on such projects could break the the "additionality" rule, part of the legislation governing the use of EC structural funds. This rule forbids the use of such funds in place of state expenditure.

In February, the government gave undertakings which allowed the release of EC regional fund money previ-

GOVERNMENT economic ously withheld because the Commission was not satisfied that the additionality criterion

Mr Millan, however, warned that the detailed implementation of the undertakings was not yet "fully clear". And he said that a strict application of the additionality rule would mean that any funding of joint projects by national governments should be "exempt from public expenditure cuts".

Mr Millan reiterated his commitment to a bigger role for the regions in Europe, particularly in promoting economic ent. The Commission would develop its policy of dealing directly with regions in Britain in brief



Regulator at Lloyd's appointed

Mr Brian Garraway, deputy chairman of BAT Industries, is to become the first chairman of a new regulatory board at Lloyd's of London, completing a round of senior appointments at the insurance mar-

As head of the new body, Mr Garrway will be responsible for monitoring regulatory practice. He will work closely with Mr Peter Middleton, the chief executive and head of Lloyd's first market board, and Mr David Rowland, who is expected to take over as chairman of the market at the end of this year. Mr Middleton was appointed last month.

The market agreed to create the two new boards in the summer, acting on a report by Sir Jeremy Morse, outgoing chairman of Lloyd's, which recommended the separation of business development from regulation, and a reduction in the size of the council, the market's governing body.

French group in power venture

London Electricity has formed a joint venture with Total Gas Marketing, part of the French international oil group, to supply gas to London. London Total Gas will use British Gas's existing pipeline system to sell gas to commerce and industry in the London area. It also plans to sell gas to household customers when this

Fraudsters pose fire risk

Fires set by fraudsters are costing insurance companies over £100m a year - 10 per cent of the total payout in 1991 - according to the Arson Prevention Bureau. The APB, a lobby group backed by the government, said arson accounted for about £500m of the £1.02bn paid out by insurance companies in fire claims

Lord Moore to head trust

Lord Moore of Lower Marsh, the former Cabinet minister. will be appointed within two weeks as first chairman of the new Energy Saving Trust, one of the main planks in the government's environmental policy. His appointment ends a long hunt by the Department of the Environment for a suitable candidate. The DoE has been criticised for the slow progress in setting up the Trust, which featured prominently in the government's statement at the Earth Summit

Bias move at Law Society

The Law Society, the umbrella organisation of UK solicitors, is proposing to amend its rule book to make sexual and racial discrimination by solici-

tors a disciplinary offence. The new rule will add to existing equal opportunity principles in the profession's code of practice by requiring principals (partners in law firms and heads of company legal departments) to adopt and operate an anti-discrimination policy.

Shipyard wins ferry deal

Perguson Shipbuilders, at Port Glasgow on the Lower Clyde, has won a £16m contract to build two 500 tonne ferries to operate between Southampton and the Isle of Wight. The contract, with Red Funnel Ferries of Southampton, secures the future of the shipyard until early 1995.

Port traffic

Freight traffic through UK ports rose by 3 per cent to a record 495m tonnes_in 1991, the Department of Transport said. London carried the highest tonnage, followed by Tees & Hartlepool and Grimsby.

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THE ASSOLVENCY ACT 1985
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NOTICE OF CREDITORS TO BUBBLET CLAIM IN THE MATTER OF ETON AVENUE PHANCE LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986 On 2nd October 1992 the company was placed into members' voluntary liquidation and Labourine B Septement of Letham Cossisty & Davis, 7 Kentick Pans, Lendon With 3FF, was appointed liquidator by

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Deter 5th October 1992

Jacqueline & Stephenson, Liquidator

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751.

Dated 2nd October 1982 Jacquelna 8 Stephenson, Liquidate



commentary about the state of British manufacturing industry following sterling's devaluation, one issue has gone virtually unmentioned: the

now exists for increased profits to be used on the development of new and improved products, and also though less immediately vital - on

A sharp surge in the rate of product innovation has not only been made possible by devaluation; it is desperately needed if Britain is ever to have any hope of closing its yawning trade gap. It will prove a vital competitive weapon even if the recession continues for another five

As every commentator has recognised, sterling's devaluation will bring a number of short-term benefits to British exporters, including increased profits.

The stock market's delirious initial reaction to devaluation three weeks ago was powered heavily by the expectation that profit rises would be used to boost dividends as well as by the hope of further

share price gains to come.

Beyond that, most economists and other commentators have argued merely that higher profits will enable hard-pressed companies to cut their debt and strengthen their balance sheets.

There has been some talk of higher investment, but always with the apparent implication that this will be in the form either of acquisitions - like Hanson's bid this week for Ranks Hovis McDougall - or of spending on plant and equipment. The latter is an unlikely option for many companies so long as they can see no end to their current

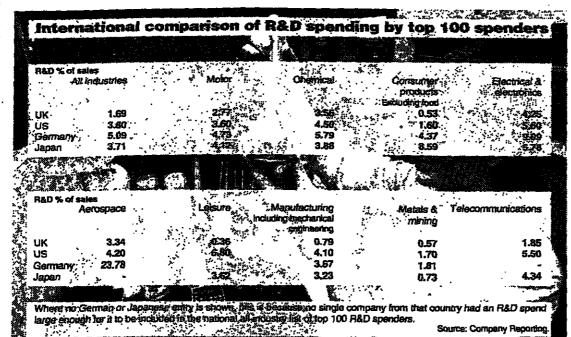
overcapacity.
Which is why a surge in the rate of relatively short-run development ("D") - as distinct from riskier, longer-term research ("R") - is now not only possible, but doubly necessary. Pitched carefully, a modest investment in the right sort of product and process improvement can bring a positive return in just two

Failure to make that investment can consign one's existing product to near-oblivion.

Back in the slump years of the 1930s, this lesson was learned to great effect by a few manufacturers, especially in America - which was partly why the industrial design profession had its first real flowering there at that time.

Wise manufacturers try to work this trick with everything - including expensive items such as cars. In a desperate attempt to recapture lost sales and profits, Ford of Sterling's devaluation provides UK manufacturers with a golden opportunity, argues Christopher Lorenz

High time to turn round R&D



The figures above are taken from the government-backed 1991 "UK R&D Scoreboard", produced by Company Reporting. The 1992 statistics do not include a table of each country's Top 100 all-industry spenders, or sector breakdowns, except

The figures should not be read as precise to the decimal point, because of differences in definition:

for the UK.

Europe is now in the process of launching an improved version of its lacklustre Escort model only two years after its initial launch; it has been "re-skinned", and otherwise improved, by its industrial design-

As the UK food and computer software industries have shown over the past few years, an increased rate of such "incremental innovation", to use the technical term, can do wonders for one's market share.

In grossly saturated markets such as segments of consumer electron-

row OECD definition of "R&D", as are those for leading German companies. For the most part, the US and UK figures exclude governmentled research and develo Two things, above all, emerge from the statistics. First, the total UK

between countries, and even

between companies in the same

country. But the US and UK figures

ed closely on the rather nar-

ics, the revamp of a product's exterior, or also of its performance, may fail to work its magic. But such cases are the exception.

The readiness of German, and especially Japanese, industry to undertake a steady flow of incremental product and process improvements, as opposed to less frequent and much riskier big leaps forward, is one of the reasons for those countries' industrial success in the past 20 years against the more breakthrough-minded US and

In the sort of consumer and

outlay on research and development is relatively low in every sector, even those few where Britain is, or has been, supposedly strong, such

This relates to the second point: that, even in sectors where the UK's leading companies are just as R&Dsive as their global rivals such as ICI in chemicals - R&D intensity tails off behind them.

industrial products at which they excel, the Germans may not introduce improvements as often as the Japanese do in their own areas of strength. But the Germans certainly beat the British. So, these days, do many American companies, which are borrowing Japan's incremental tactics for all they are worth.

A lot of this incremental expenditure falls outside OECD and other official definitions of research and development. So Britain's poor performance in incremental development adds an extra layer of concern to its awful standing versus its main industrial competitors in the sort of expenditure comparisons

shown in the illustration.
Sceptical economists will argue that this article represents the ravings of a technology freak, and adherence to the obvious fallacy that a nation's economic strength varies in direct proportion to its expenditure on development and research. On both counts, such criti-cism of the foregoing is misplaced. Likewise, to advocate a surge in

spending on D, and possibly also on R, does not in any way imply disagreement with critics who argue that improving the management and productivity of both development and research, on even the most worthwhile of projects, is more important than simply

increasing the spend.

Quality does count more than quantity, in other words. In economic jargon, raising the outputs of development and research must be more of a priority than raising the inputs to them.

Yet this does not mean that greater inputs are not also required, as an economic consultant, David Sawers, suggested in the FT last month (Personal View, Sept 2). Better output and greater input are both needed if British companies, and the nation as a whole, are to improve their real competitive per-

Recent US academic and consultancy research has shown that large Japanese companies are managing their design, development and engineering processes much more efficiently than either their US or their European counterparts. In America, companies are now moving fast, through various changes in management processes, to close that productivity gap.

Yet, in spite of a sharp slide in corporate profitability in 1991, many of the same companies are also spending more on both D and R.

Given the intense financial pressures which they feel from Wall Street these days, few if any of them can be doing so out of blind faith. Rather, they have learned from experience that market-driven incremental development is a vital factor in commercial success in many cases, is research.

If anyone really doubts this, they need only ask resilient US compa nies such as Hewlett-Packard. Xerox and 3M, or the more mundane massed ranks of Germany's world-beating engineering enterprises. Or, of course, Japan's ultracompetitive car industry.

Alternatively, much closer to the home of some of the most unworldly economists around, doubters could talk to Glazo, ICL or even mundane old Turner & Newall (T&N). In their very different industries, all three are heavily dependent on D. R, or both.

Out to lunch but only when the in-tray is empty

Louise Kehoe concludes the series on power entertaining



In Silicon Valley the first question is: "Do you do lunch?" Note that there is no mention of eating. Doing lunch means SILICON VALLEY meeting people in a restaurant at or before the noon hour. Food plays a

secondary role. The most common response is negative. "I try to avoid it," says Mathew Schmitt, a public relations specialist. "It is just not very productive in my experience." His

view is widely shared among "the Valley's" high-tech types. If you accept the premise that California is a trend setter, the business lunch is on the way out. So too, it appears, is the "power breakfast", one of the region's most

unfortunate innovations. Business breakfasts are still marginally more popular than lunch. But whereas a couple of years ago it was common to receive invitations to meet at

bran moffins coffee, today most high-tech types prefer to head straight for the office and conduct a conversation by phone. The prevailing view is that if you have time

to go out to

7.80am over

lunch, you probably are not working hard enough, or you don't have enough important work to do.

Many simply regard "off-site" lunches as an interruption, to be tolerated only when it is expected of them by important foreign, or East Coast, visitors. Yet throughout Silicon Valley,

working lunches" are the norm, whether for members of a company team or as an opportunity to talk business with potential pariners, These meals are usually catered

and range from the casual "box lunch" – a sandwich, fruit salad

and a cookie - to a more substan-tial buffet meal with perhaps chicken and wild rice, fruit salad, always cookies, and sods or coffee. Senior managers, especially, pre-fer to "eat in", but visitors should not expect a plush executive dining room. Your host may even skip the food in his enthusiasm for describing the latest technological wizardry and fingering the flip charts. Intel executives like to show off

the company's new headquarters cafeteria, open from 6.30 to 8.30 for breakfast and again at lunch time. At Sun Microsystems you can expect a can of Diet Coke (no glass) and a salad served at the executive's desk. Hewlett-Packard provides a nice spread of "make-yourown sandwich" ingredients.

When they do venture beyond their office buildings, Silicon Valley types choose "California cuisine" - lots of imaginative salads, crispy vegetables, chicken or fish with hardly any red meat in sight.

Everything, it seems, is served with sun-dried One such eat-

ery that is a favourite with Apple Computer employees is 'Sport-City" in Cupertino. where the staples are salad with iced tea or lemonade: After work they may return for a glass of chardonnay, but heavy drinking

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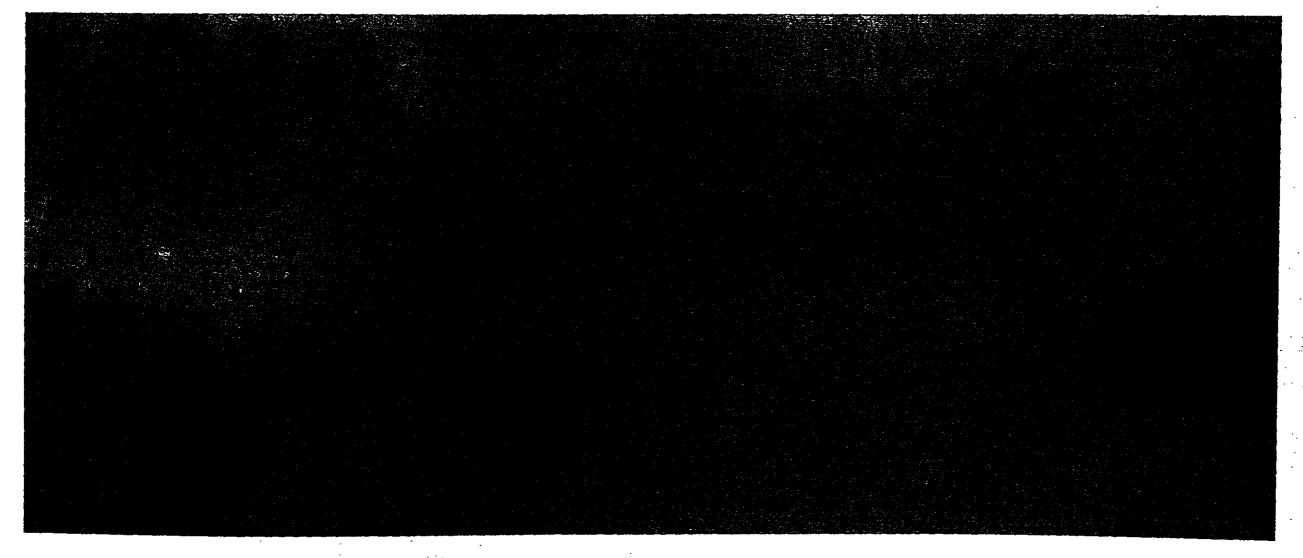
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is definitely not fashionable. You have not really "arrived" in Silicon Valley, however, until you have partaken of the offerings of a "roach coach", one of the silversided vans that make daily tours of office parks selling suspect burritos, heart-clogging hot dogs and slightly stale sandwiches to hungry inmates. This is where you will find the founders of fledgiling Silicon Valley start-up ventures. The challenge is to figure out which ones among them will eventually be building company canteens.

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demand changes in the way they rent commercial prop-erty from long-term investors -pension funds, insurance and properiy companies.

The retaliers dislike the traditional institutional lease, under les the sena which tenants contract to pay rent for 25 years with upward-only rent reviews every five years, and keep taining the property fully repaired and insured. They argue that the trickie to a many was a filled to be a many was a filled to be a many was a filled to be a fille English lease structure is inflexible and unfair, rents increase in an arbitrary way, and if they pass on ('assign') leases on property which no longer suits them, they are liable for rent and repairs if subsequent

tenants default (the principle of privity of contract). Weary and fearful investors, suffering the worst property crash since the 1930s, say they have heard all this before - there is always a crescendo of tenants' screams in the

ome of Britain's biggest retailers met last week to demand changes in the way

depths of recession. Certainly there was little sign of retailers wanting to reform the sys-tem four years ago when it was working in their favour. Many were eager to take more space, or pocket a fat premium from selling a lease on a shop where the rent bill lagged behind the market because of the traditional review system. Most also wanted arbitrators to settle disputed rent reviews, not independent experts who can take a wider view

Matthew Oakeshott on the case for reforming commercial leases of current market conditions. Property is a cyclical business - it always has been, it always will be, and with any conceivable legal and institutional framework the balance

tenant will still vary over the cycle. Long-term investors need a secure income stream to meet their liabilities. A traditional long institutional lease to a blue-chip tenant produces ideal top quality income.

of advantage between landlord and

Letting or re-letting empty prop-erty is a sideshow compared to the long-term investment performance of the more than 90 per cent of institutions' property assets which are safely let and which generate income. Just because tenants can negotiate soft leases in soft markets such as London offices, they should not expect long-term investors to concede sea-changes in the lease structure; such concessions would devalue the bulk of their portfolios and eliminate property as a competitor to equities and gilts for investment funds. Unless they are offered something in return, long-term investors are as likely to abandon the institutional lease as climbers on the North Face of the Eiger to let

All Properties

go of the rope. They would be fail-ing in their duty to their pensioners and policyholders.

At present the operation of the market seems unfair to tenants during their lease but equally unfair to investors when the lease ends. Under the 1954 Landlord and Tenant Act, the tenant has the investor up against a wall, with a one-way option in his favour to renew his lease for up to 14 years at a rent and with lease conditions fixed by a court. And it is tough under current English law to ensure that

Long-term property departing tenants investors are unlikely leave property in to abandon the The argument institutional lease between tenants

A dialogue of the deaf

looks like a dialogue of the deaf. But there is a simple solution to the strains in the system. It would help both sides now and keep a better balance over the whole economic cycle, as well as cutting legal costs and delays.

and investors

in Scotland and Northern Ireland. the basic contract for the occupa-tion of commercial property operates in a much fairer way than in England and Wales, both during and at the end of a lease. Many important investors and tenants have operated happily under the Scottish and northern Irish systems for many years. Why not bring England and Wales into line? There are two main differences between

commercial property leases in the north and south of the UK:

· Privity of contract. Tenants in Scotland and Northern Ireland are off the hook once their leases have been assigned but the investor's position is protected because leases can usually be assigned only to a tenant of equal status. If an undoubted name such as Marks and Spencer wants to move out, prudent investors will ensure that the lease is not assigned but the shop is sub-

let to, say, Lowndes Queensway, or

a Mrs Snooks (who may be a respectable trader but would not be "of equivalent financial standing, demonstrably capable of fulfilling all the

institutional lease may put it). But if Mrs Snooks in Scotland or Ulster takes a lease on a small shop, and assigns it to a Mr McHattie, she cannot be pursued for Mr McHattie's rent or repairs years after she has retired, for example (and the present English law can produce horrific cases). The blue chip tenant, by sub-letting rather than assigning, can also keep a firmer grip than in England on his liabili-ties arising from rent reviews and alterations, and has the right to take back and re-let or reoccupy the

tenant's obligations throughout the

period of the lease", as a Scottish

on rents or repairs. • Lease terms in Scotland mean what they say about repairs and lease length - tenants of office and industrial property in Scotland have no right to renew their lease, and shop tenants' rights are negligible.

A 10 or 25-year lease means just that, not a perpetual right to occupy for the tenant. Obviously tenants in England and Wales see no advantage under the present system in signing a long lease since they may enjoy a series of free five-year statutory options to renew in their favour. If the Scot-

tish system applied to England, ten-ants would have to strike a balance in their lease renewal negotiations between their wish for flexibility and security. Many UK national retailers are still freely taking new leases and renewing leases for 20 or 25 years in Scotland, not just because the market is healthier in Scotland than in London, but also because long leases often make commercial sense for both landlord and tenant under the balanced Scottish system of lease renewals.

There is no need, anywhere in the UK, for courts to be involved, with all the expense and delay entailed either in fixing new lease terms or in settling dilapidations claims at the end of leases. In Scotland, if the landlord gets his property back at the end of the lease, he repairs it straightaway and the tenant pays. In England and Wales the process is

ter to the first an indicate to get the court of the first first temps. The first project is not to the first temperature of temperature of temperature of temperature of t A charter for lease reform No privity of contract on lease assignment to tenants of equivalent financial standing Lease renewals to be by normal commercial negotiation (outside the 1954 Landlord and Tenant Act) Repairing obligations at the end of leases to be settled by normal commercial negotiation and arbitration if necessary

some big retailers rivalling Houdini in their technique for wriggling out of repair commitments. Property often stands empty for years while cases drag through the courts.

A shift to the Scottish system would not need immediate legislation in England and Wales. Investors and tenants should now agree a three-point commercial property charter for new leases (see chart). Such a charter would give something to both sides. It would make investment and occupation simpler and cheaper, and it would protect small traders without undermining institutional investors' long-term

reduce the swings in advantage between landlord and tenant over the economic cycle which are inevitable in the present English system, and end the Catch-22 of landlords and tenants never wanting the sys-

tem changed at the same time. If this voluntary charter works well in practice, the law should then be changed to abolish privity of contract and the 1954 Act for all new leases. It would, of course, be wrong to break existing lease contracts by retrospective legislation abolishing privity of contract or a tenant's rights to renew leases. The author is director of OLIM Limited and Value and Income Trust

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CONTRACTS & TENDERS

NOTICE FOR INTERNATIONAL TENDER SALE OF THE TOURISTIC AND HOUSING COMPLEX "LES JARDINS DE CARTHAGE "

AT GAMMARTH - TUNISIA

La Companie Touristique Arabe (CTA) proposes to sell an unfinished housing and touristic Complex at Gammarth in the northern suburbs of Tunis consisting mainly of two lots.

A TOURISTIC UNIT: · a five star hotel composed of 584 beds with the

possible use of a casino, An apart hotel of 136 flats ie 450 beds,

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This unit has an area of 9.7 hectares (97.000 square meters)

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The parties interested in this tender can get the file at the

head office of CTA at 12 Rue de Hollande - 1000 TUNIS, as of October the 1st 1992. Tenders must be sent in closed envelopes with the following mention "A ne pas ouvrir, Appel d'Offres pour la

vente du complexe touristique et Immobilier de Gammarth* and should be sent to Monsieur Le Président Directeur Généxral de la CTA, 12 Rue de Hollande - 1000 TUNIS Latest date for receipt of tenders is fixed for January the

16th 1993, postage stamp being franked.

Tender parties can get confirmation of the arrival of their proposals by sending fax through fax no 342 407.

Worth Watching · Andrew Baxter



Ultra-violet light shines on bacteria

Well-proven ultra-violet technology is being put to a new use by a UK company in a range of water disinfection systems which kill more than 99.9 per cent of micro-organisms without using chemicals.

The system, developed by Dorking-based Ultraviolet Technology, generates UV light at 254 nanometres to provide the optimum "kill rate", and is lesigned so that unabsorbed UV light bounces back into the water to ensure maximum disinfection.

The system is unique in using Teflon tubes which offer a number of advantages over quartz equivalents that are brittle and prone to fouling. Disinfection takes from three to five seconds compared with 20-25 minutes for chlorine. According to the company, the savings on chemical purchases can cover the installation cost within one to two years. Ultraviolet Technology: UK, 0306 712636.

Three-dimensional photos snapped up

Artists through the ages have experimented with various ways of representing depth in space. At the recent Photokina exhibition in Cologne Kodak unveiled its own attempt to tackle three-dimensional representation, writes Michiyo Nakamoto.

Kodak's depth-imaging technology uses track-mounted 35mm cameras with electronic shutters to capture images from several perspectives. Up to 24 exposures on conventional film can be used to fashion one

three-dimensional image. The film is processed normally and then scanned digitally. The information is rearranged pixel by pixel into a single image, and then transferred to a Kodak light valve technology film recorder.

A transparent optical material called a lenticular screen is placed over the picture to "focus" the image. The result is a three-dimensional picture that gives the illusion of depth

without needing special glasses. Kodak believes there are potential applications in professional and commercial photography such as for point-of-sale and cinema displays. Kodak: UK, 0442 61122.

Now hear this! Now hear this!

Evelyn Waugh was famed for rather ostentatiously putting his ear trumpet down when he did not want to listen. Now Siemens has introduced a tiny in-the-ear hearing device that allows users to tune in to what they want to hear and not what they do not.

The Insita Plus overcomes a problem for the hard of hearing. Hearing loss is entirely individual and technology has not been able to compensate for the many different external conditions.

The solution is the first three-channel, four-programme hearing product that can be instantly adjusted to differing requirements, such as a conversation in a busy street or separating the chatter from the clatter at a restaurant. Siemens Hearing Instruments: UK. 0296

Satellite signal adjusts to sea life

Watching live satellite TV at sea is normally an expensive affair, requiring a gyrocompass to detect the movement of the ship and adjust the satellite dish to keep it still. For vessel operators, the alternative normally involves supplying video tapes to the vessel every time it berths.

Now Norwich-based Applied Satellite Technology has come up with a system which does not require a gyrocompass. The Marine SAT TV 900 uses a patented active antenna to lock on to signals from the Astra satellite, which covers the seas

round Europe.
The system, which costs £9,250, works by continuously sensing the signal's strength and instantaneously compensating directionally, so the receiving dish stays still as the vessel moves. Applied Satellite Technology: UK, 0603 427434

Emiko Terazono finds that Japanese children want electronic office goodies for Christmas

Farewell to the Teddy bear

months left until Christmas, Japanese toy companies are preparing to stock the country's toy shops with high-tech goodies, rather than the traditional Teddy bear or wooden bricks.

While many manufacturers have returned to making simpler products as the current recession has forced consumers to go back to basics, toy makers are defying the trend and presenting children with expensive high-technology elec-

tronic products. Recent surveys have indicated that electronic toys are in strong demand among Japanese children. Toy makers have also discovered that high-tech gadgets bring in fat-

ter profits than conventional toys.

When Takara, the leading toy maker, introduced its word processor for children two years ago, the demand was so high that the company created new sophisticated versions during the following years. "Children want the same things as adults," says Tomoko Matsue of Takara. My First Sony, a line of kid's audio equipment from the big

electronics manufacturer, was created in 1987 on a similar concept. Japanese toy makers are feeling the impact of demographic changes, as the decline in the number of children per household squeezes sales. But the trend has also made Japanese parents willing to spend more on a child. Toy makers have responded by introducing "higher value added" toys to their ranges.

The industry rule that highpriced toys will not sell was proved wrong by brisk sales of Takara's Y39,800 (£185) word processor, co-developed with Sharp, the office automation maker. The most recent version, launched this year, costs Y55,000 (£260), but is seeing strong demand.

Takara expects to sell 40,000 units this year. The word processor has many of the same functions as the kind sold to adults, but includes a simpler instruction manual and

illustrated keys.

Takara has targeted the mid-primary school age group. "The chil-dren, especially girls, use the word processor to write letters and make greeting cards," says Matsue. Some

adults, who find the sophisticated models from leading electronics makers too complicated, are also using the children's version.
Other electronic gadgets for chil-

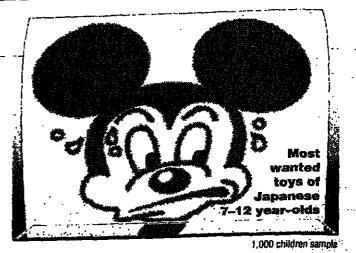
dren offered by Takara in its "Kid's Electronics" range include the electronic diary and cordless phone Other than the usual address and schedule modes, the electronic diary has a fortune-telling function. a recent hit with children.

The cordless phone has a time-limit function which prevents long conversations by children, and a function which limits the telephone numbers the phone can dial.

Takara's success has prompted other toy makers to follow suit. Bandai, the largest toy maker, and ega, the video game company, have also entered the scramble in the high-tech toy market.

Sega will next month launch its word processor, targeting children at the pre-school level as an "introductory" model. "Children demand the same functions as the real thing, but simpler operating modes," says Sega.

Sega's word processor "Kan-Tan" - meaning easy in Japanese - is



DIAL NUW

Electronic diary

2. Cordless phone

3. Word processor 4. Personal phone

5. Compact disc radio cassette

cheaper than the other makers. At Y15,800, it consists of a small, light keyboard where the functions can be changed by spreading different letter sheets on to the keyboard.

The computer games have helped children grow accustomed to knobs and function keys. "Children are more adaptable to high-technology products," says Sega. As the Japanese government intends to introduce computer science as a compulsory course in junior high-schools, an increasing number of parents are 6. Personal computer 7. Facsimile

.8. Telescope9. Compact disc mini-stereo

"10. Electronic organ

keen to see their children learn to

use computers. Sega says it is developing a new

range of high-tech toys to be launched within the next few years. Although toy makers are the main manufacturers of children's hightechnology products, the market holds great potential for the leading electronics makers as well. "In a few years, we will probably meet high competition from the large consumer electronics companies,

Virtual reality takes its seat in class

Andrew Baxter looks at a new approach to teaching children with learning disabilities

iscworld, as fans of comicfantasy novelist Terry Pratchett will know, is a disc-shaped world carried through the Multiverse by four immense elephants riding on the back of the ponderous galactic turtle Great

Closer to home, more down-to-earth worlds are being created at the Shepherd School in Nottingham, the largest in Britain for children with severe learning difficulties - with a serious educational aim in view. Over the past year, the school has been exploring the educational and training benefits of

Desktop Virtual Reality A sophisticated virtual reality system, with a display that changes up to 10 times a second, allows the user to experience the illusion of being within the alternative environment on the screen.

Users normally "immerse" them-selves in virtual reality for entertainment - by putting on a headset with a small LCD screen in front of each eye. Desktop VR is the next generation, using the same VR software but on a desktop computer.

This week, the school, along with Nottingham University's Virtual Reality Applied Research Team, and Aldermaston-based Dimension International which supplied the software and hardware, unveiled findings from a small pilot project involving 12-20 students. Virart, established last year, had been looking for a way to test the

benefits of virtual reality in education. The project's first stage has involved creating virtual worlds which incorporate the well-established Makaton symbol and sign system used by the school to help children master the basic 500-600 words of vocabulary.

For example, says David Brown, a member of the Virart team, the screen could create a threedimensional car which the child could "get in" and drive around in, but the two-dimensional Makaton icon would be constantly in view. The aim is to help the child learn

the symbol, and thus to communicate, giving the child at least some control over its environment. Fullyinteractive environments displaying images of the words along with the appropriate symbol or sign ought to have more impact than static pages of information.

The results so far have been impressive, says head teacher David Stewart. "We have children here for 16 years from the age of three to 19. Our main concern is to look for every way to help the children, so Desktop VR is an important tool in our armoury." And even if the system cannot always aid the learning process, the three-dimensional world is as near to the real world as

PEOPLE

some children get, he says. So far, 20 symbols have been incorporated into virtual worlds. but it will take three years, and more funding, to convert the whole Makaton library, says Brown.

Further developments of the programme at Shepherd School will include the introduction of sound and more detailed worlds, while the more able children can create their own virtual worlds.

Other applications in education are possible, says Brown. History could be presented in a different way using Desktop VR, and as the medium is interactive, the student could change the course of past events and watch what happens.

Interim results and dividend announcement

for the six months ended 30 September 1992 (unaudited)

500

(R million)

Shareholders' equity

(R million)	Six evouths ended 30.09.92	Six months ended 30.09,91	Year ended 31,03.92
Investment income	127.2	109,3	219.9
interest earned and			
other income	40.8	33.9	67.5
	168.0	143.2	287.4
Administration expenses			
and grants	6.6	5.9	8.8
Cost of prospecting	14.8	17.4	33.1
Provision against investment	<u> </u>		10.0
	21.4	23.3	51.9
Net income before taxation	146.6	119.9	235.5
Taxation	-	-	~
Net income	146.6	119.9	235.5
Earnings per share - cents	607	497	975
Dividends per share - cents			
– Interim	525	475	475

ABRIDGED CONSOLIDATED INCOME STATEMENT ABRIDGED CONSOLIDATED BALANCE SHEET

At At At 30.09.91 31.03.92

972.2 957.5 952.4

investments and loans	604.8	601.8	591.5
Mineral rights	32.4	30.8	31.2
Debtors and cash	467.2	442.8	457.4
Dividend payable and other creditors	132.2	117.9	127.7
Net current assets	335.0	324.9	329.7
	972.2	957.5	952.4
Market and directors' valuations of investments:	ŧ		
Listed - market value	3 757.9	4829.2	4 820.7
Unlisted - directors' valuation	206.7	225,9	206.7
Loans	78.3	73.8	65.3
	4 042.9	5 128.9	5 092.7
Number of shares in issue - 000	24 147	24 147	24 147
Net asset value per share – cents (after providing for dividend and based on the market value of listed investments at 30 September 1992			

COMMENT

Head office:

44 Main Street

- Final

Investment income for the six months ended 30 September 1992 increased by R17.9 million, or 16.4 per cent, compared with the six-month period to 30 September 1991, reflecting increased dividends received from gold mines in which the company is invested. The increase in interest earned and other income of R6.9 million (20.4 per cent) included a surplus on the realisation of investments, although interest received was marginally lower during the half year. No taxation is payable as the company has a substantial computed tax loss. Possible provisions against investments are considered only at the year and investments are considered only at the year end.

The dollar gold price averaged \$345 per ounce in the first six months of 1992, 5.7 per cent lower than the average price of \$366 recorded for the corresponding period in 1991. The rand price, however, declined by only 0.6 per cent, from R984 to R978 per ounce, reflecting the impact of a somewhat weaker rand against the US dollar. The dollar price fluctuated within a relatively narrow range of \$335 to \$360 per ounce throughout the period under review, with strong physical demand providing support at the lower ends of the trading range. The price rose to \$360 in July on the back of anticipated cuts in supply and, briefly, above \$350 in September as uncertainty about the future of the European Monetary System plunged international financial markets into confusion. Producers received some relief from a weaker rand against the US dollar in September. Notwithstanding shaft and mine closures within the industry, a

small increase in tons milled and an improvement in the average

and the directors' valuation of unlisted 18 264 22 713 22 585 Investments at 31 March 1992) grade mined resulted in marginally higher gold production for the half year to 30 June 1992. Although the rand gold price remained virtually static, the continuing ability of the industry

to contain its costs and to achieve higher levels of production resulted in an improvement in earnings compared with the same period last year. The gold mining companies in which

Amgold is invested achieved a higher percentage increase in

earnings than the industry averag The results for the second half of the financial year will depend on the prevailing rand gold price and the extent to which costs can be contained in the companies in which Amgold is

For and on behalf of the board

N F Oppenheimer Directors J Ogilvie Thompson

9 October 1992

London office:

GGG

Dividend No. 89 of 525 cents per share has been declared payable on Tuesday, 1 December 1992 to shareholders registered at the close of business on Friday, 30 October 1992. The register of members will be closed from Saturday, 31 October 1992 to Saturday, 14 November 1992. The full conditions relating to the dividend may be inspected at the Head office and London office of the company and at the offices of its transfer secretaries.

and the control of th

40 Holborn Viaduct London ECIP IAI Doctors' champion | Bodies politic moves to the BBC

Pamela Taylor, the BBC's new director of corporate affairs. was not one of the widely tipped favourites for the job. There had been rumours that Liz Forgan, number two in the Channel Four hierarchy, or Edward Bickham, Douglas Hurd's special adviser at the Foreign Office, would take over from Howell James who is off to join his old mentor, Lord

Young at Cable & Wireless.

As the BBC limbers up for protracted negotiations with the government over renewal of its Royal Charter in 1996 it was widely thought that someone with Bickham's calibre of political contacts was just what was required to follow in Howell James' footsteps. Before joining the BBC, James had been with Capital Radio, TV-am and worked with Lord Young in government. Bickham was a former director of communications at the late

British Satellite Broadcasting. However, the BBC has recruited a skilled public relations professional in the 43-year-old Taylor. She did not go to university and started at the bottom of an advertising agency. After a spell with BUPA, the private health care group, she joined the British Medical Association press office in 1977.

She arrived at the BMA at a low point in its fortunes. It was widely regarded as a trade union whose prime purpose was to protect the interests of



well-paid doctors, rather than a professional body serving consumers. Its nick-name at the time was the British Money Association.

Taylor set up the BMA's parliamentary lobbying effort in 1980 and took over as head of public affairs in 1985. During her time at the BMA there has been a considerable improvement in the public perception of the organisation and it has become a much more effective

parliamentary lobbying group. She will probably be best remembered for the BMA's high-profile advertising campaign against the government's plans for the national health service.

However, she herself is more proud of the parliamentary lob-bying work the BMA has done in areas such as seat-belt legislation, curbs on tobacco advertising and drinking and driv-

Carr leaves County NatWest for PW

John Carr has resigned as a director of County NatWest to help develop a project finance division at Price Waterhouse, the accountancy firm. As director of project

finance, he joins a team of nine partners and about 40 staff including four assistant directors in the corporate finance division. He is at least the second person to join from County in the last two years.

Carr spent nine years at the Department of Energy including two on secondment to Morgan Grenfell's energy and project sinance department. He then spent eight years at County NatWest, where he became a director specialising in infrastructure finance.

"We began talking to each other and it seemed a very interesting opportunity," he says of his latest move. "Project finance is a natural extension of PW's existing work on privatisation." The firm had already seen the opportunities of moving into project finance, he says, so he was "knocking at a door that was already

aiar". Carr says that while banks often provide finance as well as advice on raising funds, PW can carve out a niche without offering financial support to its clients, "Some clients are quite happy with someone clearly sitting on their side of the table with no funding interest to cloud their advice," he says.

■ The ITV companies have chosen Gus Macdonald. managing director of Scottish Television, to be the first chairman of their new

Broadcasting Board. The board, which will meet monthly, is designed to ensure that the companies get value for month for the £500m a year they will be spending on the new centralised ITV network. A significant factor in Macdonald's appointment is that he does not represent one of the big five production

companies. ■ Lord Finsberg, former MP for Hampstead & Highgate, and Lady Marsh, a director of Marrington Management Services, have been appointed to the board of the COMMISSION FOR NEW

Lord Young of Graffham, former secretary of state for trade and industry, becomes president of the INSTITUTE OF DIRECTORS from January.



■ Elizabeth Nelson (above), formerly chairman of the Taylor Nelson Group, has been appointed chief executive of The PRINCESS ROYAL TRUST FOR CARERS.

■ John McKinnell, who recently retired after 30 years. with Shell, has been appointed director of the Aberdeen office of the UK OFFSHORE OPERATORS ASSOCIATION.

■ The Rt Hon Timothy Renton MP has been appointed vice-chairman of THE BRITISH COUNCIL.

Family chairmen bow out



Two of the elder statesmen of Britain's building industry are bowing out at the low point of the recession and severing family ties with their firms which go back several generations. Sir Brian Hill, whose Higgs

& Hill family firm built many of London's more famous buildings such as the Royal Naval College and the Tate Gallery, and Paul Hyde-Thomson, who floated his family's Ibstock Johnsen brick-making firm on the stock market in 1970, announced yesterday that they plan to step down at the end

of the year. Sir Brian, 59, who has been chairman of Higgs & Hill since 1983, is the seventh generation of a family which started the



his consin. David Hill, is deputy chairman, the company has decided to choose the next chairman from outside the family. George Duncan (left), 58, a former chairman of Lloyds & Scottish, and current chairman of ASW Holdings and Whessoe, joins the Higgs & Hill board on November 10 and will take over from Sir Brian as non-executive chairman at the end of the

Ibstock Johnsen, which like Higgs & Hill cut its dividend yesterday, has also gone outside for its new chairman. Colin Hope (right), 60, chairman of T&N, who was appointed Ibstock Johnsen's deputy chairman in January, will take over from the 65-year-old Hyde-Thomson at the end of December.

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Exhibition/Susan Moore

Bassano honours its most famous son

ost Renaissance artists, like Leonardo da Vinci. only came to be named after their home towns. as a result of leaving them. Jacopo da Ponte - known as Bassano - is the great exception. He spent most of his working life in and around the small town of Bassano in the Veneto, apparently making the 45km trip to Venice only once. Despite that, after Titian and along with Veronese and Tintoretto, he was one of the most influential and inventive Venetian painters of the 16th cen-

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Bassano del Grappa is honouring its most famous and loval of sons on the 400th anniversary of his death with the first monographic exhibition of the artist since 1957. The town has even spent some L1.5bn overhauling its museum's security, lighting and climate control systems in order to secure substantial foreign loans. The show is co-sponsored by the Kimbell Art Museum in Fort Worth, and a version of it, comprising fewer - and some different - oils plus more drawings, opens in Texas in January.

The exhibition's achievements are considerable. As one might expect, pictures have been gathered together from far-flung and unlikely corners of the globe - from Ottowa to the Alvar Aalto Museum in Jyvaskylä. Assiduous sleuthing has uncovered a number of previously unknown works which add to our understand-

ing of the artist. Most intriguingly, however, the show is witness to the developing sensibility of a provincial painter as sensitive as litmus paper to what he could glean, through pictures or prints, of current artistic practice. As this impressive display amply reveals, Bassano was fortunate enough to live in, and to have been inspired by, a

great age of Venetian painting. We find him first in a "Flight into Egypt", dated to 1534, a painting of considerable naive charm. The figures moving frieze-like across the picture plane have the monumentality of Giotto and the palette of fresco, and indeed derive from the frescoes in the Scrovegni and Child come courtesy of a laic. Is this also the conse-Titian fresco in Venice.

Within a decade, he has plunged into the maelstrom of Venetian Mannerism. Compositions are crowded, complex and urgent, with figures boldly cropped and foreshortened. The Adoration of the Magi from Edinburgh, arguably his masterpiece, is a virtuoso performance of arrested action, sharp-edged clarity and harshly sumptuous Venetian colour. Drawing on the theatricality of Pordenone and, via Schiavone, on the elongated forms of Parmigianino, he is

now bang up to date. In many ways Bassano is a remarkable artist. Most importantly, he established the genre of the pastoral landscape. From the first he had favoured Biblical subjects that allowed him to paint humble rustic folk and their animals in

the landscape, often at night.

Jacopo Bassano established the genre of the pastoral landscape

Gradually the subject of the picture slips into secondary importance, so that in a "Sacrifice of Noah", for example, one has to search the middle distance for a minute Noah and his flaming altar.

It was only a short step to dispensing with religious subject-matter altogether - and to the pioneering series of landscapes which represent the four seasons or the four elements through the depiction of peasants at work in the countryside. A large and broadly executed canvas of two hunting dogs, painted for their own sake, and set against a lowering evening sky with the imposing Monte del Grappa in the distance, is also virtually unique in 16th-century art.

As a draughtsman, Bassano is perhaps no less original. At about the same time as Federico Barocci in Urbino, he is covering large sheets of rough blue paper with bold figure studies in dashing combinations of coloured chalks.

Bassano is, however, a peculiarly uneven artist. Anatomy is often weak, and execution frequently careless. Moreover, towards the formuquence of workshop mentality and practice? Certainly Jacopo, both son and father of painters, clearly regarded painting as a family business, and the family workshop's production-line continued to churn out lamentable Jacopo pastiches well into the 17th century. It was, however, considered

perfectly acceptable for a master at the head of a busy workshop to re-use and re-combine particularly effective figures and motifs - the premium on originality is a prejudice of our own age. That said, the relentlessness of the repetition does suggest a lack of imagination or intellectual curiosity. One reclining male figure, for instance, is variously Lazarus, St John the Baptist, a vanquished soldier, Joseph, and any number of shepherds.

Bassano is also curiously old-fashioned. His habit of combining unrelated Biblical events flouts pictorial credibility: we find St Jerome deep in his books as Christ on the Cross behind him gushes blood and the Marys weep. St Anthony Abbot similarly fails to notice the commotion beside him as the mounted St Martin slices his cloak in half in order to share it with the beggar.

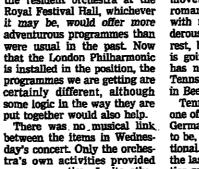
The museum's third gallery reveals the malign influence of his son Francesco who has a penchant for the sootiest of night scenes implausibly stuffed with chaotic mounds of copper pots and pans. It is hard not to heave a sigh of great relief when Francesco decides to move to Venice in 1579.

Thereafter, Jacopo seems to have recaptured the spark that animated the paintings of the '40s and '50s. His last religious works are indisputably his most powerful. In an almost monochromatic, torchlit "Christ Crowned with Thorns", the rapidly executed figures of the suffering Christ and his tormentors barely emerge out of an oppressive darkness. The picture has a ghostliness and a profundity which echo the late works of his most enduring influence, Titian.

"Jacopo Bassano" continues at the Museo Civico, Bassano del Grappa, until December 6. and shows at the Kimbell Art Museum, Fort Worth, Texas, January 28-April 25. Italian and English editions of the

catalogue are published by

Nuova Alfa Editoriale.



phrase on Mozart's Idomeneo was the one most obviously based on a drama and it came over with fine dramatic punch here, conducted by Jeremy Jackman. From wind serenade to a capella chorus. The London Philharmonic Choir also wanted to play its part and the

From these two openers it would be impossible to guess the main work of the evening: Beethoven's Ninth Symphony. The orchestra come on cold for the symphony, which was an



though the master of the house felt the least he could do was to furnish his staff with assemble-them-yourself, wall-to-wall cupboards in the latest fashion. The countess lounges in a similarly all-white, sparsely furnished bedroom. The most effective of the

designs comes in the last act, where the night-time comedy is played out in a pool of blue light, surrounded by delicately abstract bushes. Unfortunately

the buge mask which looms over the scene proves to be a bad omen in more ways than one. At this late stage in the evening the producer has decided to make a point, about reality and charades - a aria. shame, as the rest of the production had been fairly true to the spirit of the opera.

The cast has been well chosen. The Count and Countess make a young and handsome pair. As the plot starts to ignite sparks of tension between them, it is easy to believe that this couple still feels the physical attractions and jealousies of a marriage's early

Sleekly modern: Juliet Booth, Nicholas Folwell and Regina Nathan in Glyndebourne Touring Opera's Le nozze di Figaro

vears. Ralf Lukas brings a promising baritone voice to the Count's music and Juliet Booth is a generously-sung Countess, though she was not entirely happy with her second

The resentment felt below stairs was well caught by Nicholas Folwell's determined Figaro and Regina Nathan's nicely-sung Susanna, though neither has the sparkling Latin temperament that their music supposes. Julie Unwin played a sensitive Cherubino, who knew exactly what he was doing. The moment when he lured the Countess unwittingly into his

arms was a well-judged observation from a production that generally kept to the usual

Led by Neil Jenkins's amusing Benny Hill-lookalike Don Basilio, the smaller roles are cast from strength. The music moves briskly in the hands of Marco Guidarini, who conducts Mozart in a recognisably Italian style, sharp and clear, but without the ability to find giveand-take within the musical numbers. Still, the pace on stage is not allowed to slacken. On balance the performance is just sharp enough to make it worth investigating.

Le nozze di Figaro, Sadler's Wells, sponsored by N M Rothschild & Sons Ltd. and Rothschild & Cie Banque. Four further performances in London (Box Office 071-278 8916) then touring.

Concert

Untidy majesty

THE policy was always that the resident orchestra at the put together would also help. some connection. In its other residency at Glyndebourne the London Philharmonic took part in some of the wind serenades commissioned to mark the Mozart bicentenary last year. Robert Saxton's Para-

opera anyway. Alongside reviv-

als of Katya Kabanova and The

Rake's Progress the company

now has the novelty of a new

production of its own to mark

its first ever London season.

Stephen Medcalf is the pro-

ducer and John Gunter the

designer of the new sets, which

immediately proclaim a dis-

The curtain rises to reveal

an aristocratic home of sleek

tinct personality.

next piece was Mendelssohn's Psalm 2: "Warum toben die Heiden", after the Saxton a very comfortable Victorian setting for double choir, in which the chorus sounded less confident than it was to do later.

obvious risk. The opening movement gave us a big, romantic orchestra let loose, with roaring horns and thunderous timpani obscuring the rest, but then clarifying what is going on in a tidy fashion has never been among Klaus Tennstedt's primary objectives

in Beethoven. Tennstedt now looks to be one of the last purveyors of the German classics as they used to be, grand, awesome, inspirational. Or, at least, he is one of the last who can take the liberties with the music which that style presupposes and make it work. No matter how extreme a pulling-around of the tempo is dared, Tennstedt convinces the listener for that moment that the music is being genuinely felt and communicated.

In the earlier movements spontaneity of feeling was at the expense of symphonic logic. But the arrival of the imposing bass René Pape to announce the "Ode to Joy" dispelled any lingering doubts. The finale, well sung by the London Philharmonic Choir and supported by the other three soloists, Lucia Popp, Ann Murray and Anthony Rolfe Johnson, found majesty and mystery in plenty. Tennstedt remains the London Philharmonic's trump card.

Richard Fairman

A Royal Philharmonic Society concert, sponsored by Pioneer

Weak hypnosis

George du Maurier (1834-1896) published Trilby in 1894, renaming the Homburg hat and creating the character of Svengali. Du Maurier's short book became an early bestseller, netting him £20,000. Herbert Beerbohm Tree adapted the novel for the stage, and at the Haymarket in 1895, Trilby entered theatrical history. It made an awful but successful play.

Now, Shared Experience Theatre has made a

bold fist of this difficult drama, and has emerged with Trilby & Svengali, a lame production of a halting play. It visits Oxford, Southampton, Belfast, Newtown and London.

This Parisian story - drawn from du Maurier's experience in the Latin Quarter - centres on Trilby, an artist's model, and Svengali, a mysterious Jew with hypnotic powers. Trilby loves an English artist, Billee, but feels the social gulf between them, and runs off. Svengali mesmerises her, teaches her to sing as "La Svengali". They tour Europe triumphantly, but the hypnosis wears off, leaving Trilby croaking in mid-performance. The final scene, all mesmerism and tension, is worthy of John Buchan's The Thirty-Nine Steps, but with less at stake.

This is about influence and power over others, the original modern idea of Svengali. The model with a past and the man with a presence create an alchemy of alteration and manipulation. Trilby & Svengali should explore the boundaries of identity and personal power, but the play never gets that close to its own centre, never becomes intimate with itself.

However, it does suggest the almost contemporary Freudian idea of a primal scene, with Trilby reverting to childhood after hypnosis. The action stresses the anti-semitism of the French and English; Svengali is a Jew given no respect: "Why should they have so much and I have so little."

The acting copes with the chaotic direction, and Teddy Kempner as Svengali maintains high levels of energy and mystery. Tilly Blackwood as Trilby and Dermot Kerrigan as Billee are convincingly drawn into his world. There is a super vignette of a washerwoman from the versatile Mary Roscoe, and moments of musical enlightenment from Dean Brodrick's score.

Andrew St George

On tour until 12 December: Oxford, Southampton, Belfast, Newtown (Wales), London (071 434 9248)

Derek Walcott wins Nobel Literature Prize

The Trinidadian poet and dramatist Derek Walcott has been awarded the 1992 Nobel Literature Prize.

The award is both fitting and deserved because the kind of Caribbean poetry that Walcott's work represents has helped breathe new life into English poetry in general, whether written in England, America or elsewhere. It has drawn the attentions of poets

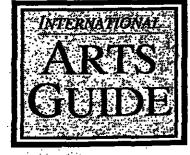
and their audiences back to the fundamental importance of the relationship between poetry,

song and dance. Walcott's most recent long poem, the epic-length Omeros (Faber, £9.99), drew together many of the themes that his work had been exploring since the late 1940s; how to reconcile the Old World and the New; the world of European literature to which his British colo-

nial education had given him access, and the world of the Caribbean itself, with its dark and largely unwritten history of slavery.

Walcott's work can be as erudite and intellectually taxing as any other poet's of our century; but it also has the rhythmic expressiveness and joyous sensuality of a body in motion.

Michael Glover



The Thyssen collection opens to the public this weekend in its new home — the Villahermosa Palace in Madrid. Until only a few months ago, the collection of paintings built by Baron Thyssen and his father since the 1920s was housed at the lakeside Villa Favorita near Lugano in Switzerland. The decision to relocate it in Madrid was influenced partly by the Baron's wife, who is Spanish, and also by the generous terms offered by the Spanish government.

The government is footing the bill for a \$45m restructuring of the Villahermosa Palace to house the collection. It is guaranteeing any shortfall in the running costs after entrance fees are collected. It is paying an index-linked rent of \$5m a year, and has given the Baron and Baroness the last word on how the collection is administered during the ten years of the loan.

Unless both parties agree to extend the loan agreement, the collection is to be handed back to the Thyssens in 2002, with exemption from Spain's otherwise restrictive export laws. Critics of the deal say it would have been more sensible to spend the money on rebuilding the Villahermosa Palace to be an annexe for the nearby Prado, which is urgently in need of more space. The collection includes 720

Bassano's Adoration of the Shepherds joins the exhibition in Fort Worth

paintings, as well as some sculpture, tapestries and goldsmiths' work. The star peintings are Holbein's Henry VIII, Dürer's Christ among the doctors, Carpacelo's Young knight in a landscape and Jan van Eyck's Annunciation.

The neo-classical Villahermosa Palace, whose present appearance dates from the 1770s, has been adapted by the architect Rafael Moneo to provide 6000 square metres of gallery space. The paintings are grouped chronologically, beginning with the 13th century on the top floor and working down to Cubism, Surrealism, Pop Art and Neo-Expressionism on the ground floor, with the earlier works, up to German Expressionism, outnumbering modern art by three to one.

EXHIBITIONS GUIDE BASSANO DEL GRAPPA Museo Civico Bassano celebrates Bassano: the 400th anniversary of the death of Jacopo dal Ponte, known as

Bassano, is being marked by his home city with an exhibition co-sponsored by the Kimbell Museum in Fort Worth (where it will be seen early next year). There are 68 paintings on show. including the Flight into Egypt of 1534, a rare bozzetto of St Paul Preaching, two studies of Pentecost, the large altarpieces of Sts Peter and Paul from Modena and the Crucifixion from Treviso. Ends Dec 6 BERLIN Martin-Gropius-Bau America

1492-1992: a vast and enthralling survey of American culture from the time of Columbus' voyage of discovery to the present day. Ends Jan 3. Closed Mon Nationalgalerie Art in Germany 1905-37: more than 140 paintings and sculptures by 62 artists, Including Dix, Klee and Munch. Ends Jan 3. Closed Mon and

Tues BIRMINGHAM Barber Institute of Fine Arts Dangerous Liaisons: an exhibition putting Poussin's Tancred and Erminia in the context of other Poussin paintings borrowed from British, French and Russian collections. Ends Jan 3. Closed Sun CHICAGO

Art Institute Ancient Americas: 300 works of art, from modelled ceramic vessels and brilliantly coloured textiles to goldwork and monumental stone sculptures, exploring more than 3000 years of Amerindian art. Ends Jan 3. Also Rousseau's The Dream: Henri Rousseau's celebrated painting (1910), which Initiated a rich genre of fantasy art. Ends Jan 30. Daily COLOGNE

Waliraf-Richartz-Museum From Brueghel to Rubens: the Golden Century of Flemish Painting. An exhibition of 150 paintings and 170 graphic works from the years 1550 to 1650. Ends Nov 22. Closed Mon

Museum für Angewandte Kunst Jewels of Fantasy: 350 pieces of costume jewellery by names such as Chanei, Dior and Kenneth Jay Lane, tracing the social, economic and cultural influences on 20th century jewellery design. Ends Feb 7 FRANKFURT

Schim Kunsthalle Genoese Art of the Baroque Age. Ends Nov 9. Daily

Städel Emil Schumacher (b1912): 60 paintings by the German abstract painter. Ends Jan 10. Also Oskar Kokoschka and the Puppet, Ends Oct 18. Daily **Deutsches Architekturmuseum** Modern architecture 1900-50: 600 drawings by German architects. Ends Nov 29. Closed

Raiffeisenhalte Contemporary Art of Mexico, Ends Nov 1 LONDON British Museum Ukiyo-e paintings: 100 images of bawdy

society depicted by painters of feudal Japan during the Edo period 1600-1868. Ends Nov 29. Royal Academy of Arts Sacred Art of Tibet. Ends Dec 13. Also

Alfred Sisley retrospective. Ends Oct 18. Daily Hayward Gallery Art of Ancient

Mexico: a breathtakingly beautiful show of Mesoamerican sculpture and ceramics. Ends Dec 6. Also Bridget Riley: paintings 1982-92 by one of Europe's most authoritative abstract painters. Ends Dec 6. Daily

Courtauld Institute Kokoschka: prints, illustrated books and drawings by the Austrian expressionist, showing his mastery of graphic media and boundless energy. Ends Oct 28. Daily Institute of Contemporary Arts

Jean Nouvel: multi-media installations illustrating the work of the French post-modern architect. Ends Oct 25. Daily Barbican John Heartfield: the first major retrospective in Britain of the father of photomontage. Ends Oct 18.

Tate Gallery The Painted Nude. Ends Dec 27. Also George Baselitz (b1938): prints 1964-90. Ends Nov 1. Also Turner's Use of Perspective. Ends Jan 31. Daily Whitechapel Art Gallery Juan

Gris (1887-1927): retrospective of the Spanish painter who joined Picasso and other members of the Parisian avant-garde in the great Cubist experiment. Ends Nov 29. Closed Mon LOS ANGELES

County Museum The Golden Age of Danish Painting: 100 works painted between 1780 and 1850, when Copenhagen was a major art centre. The exhibition includes landscapes,

marine views, portraits and genre scenes by painters including Jens Juel, C W Eckersberg, Constantine Hansen and Christen Kobke. Ends Jan

MADRID Centro de Arte Reina Sofia An exhibition inaugurating the museum's permanent collection. featuring Guernica and 19 other Picasso works, 24 by Dali, 17 by Miró, Le Corbusier's The Fall of Barcelona and more than 300 other major 20th century paintings. Closed Tues Fundacion Juan March David Hockney: 76 paintings, photographs and drawings. Ends Dec 13. Daily Casa de Vacas Annie Leibovitz photographs 1970-90: 130 Images

by the celebrated American photographer. Ends Nov 11 NEW YORK Museum of Modern Art Henri Matisse (1869-1954): 400 works. including 300 of the most

important paintings and a generous selection of sculptures, drawings, paper cutouts and prints. Ends Jan 12. Closed Wed (call Ticketmaster 212-307 4545) Metropolitan Museum of Art Ribera: 400th anniversary retrospective. Ends Nov 29. Also Magritte: 150 works by the Belgian surrealist. Ends Nov 22, Closed Mon Guggenheim Museum The Great Utopia: the Russian and Soviet Avant-Garde 1915-32. Ends Dec

15. The SoHo site has the set of murals which Chagail painted for Moscow's Jewish Theatre

museum is closed on Thurs, the SoHo site on Tues **IBM Gallery Christopher** Columbus and the Spanish Exloration of the Indies: 70 objects from public and private documents, maps and scientific instruments, Ends Nov 7, Closed Sun and Mon

Grand Palais Picasso et les Choses: Picasso's near-fetishist attitude to objects makes his still-life paintings shout in indignation, changing a jug into an image of a woman's body, or a bicycle saddle and handles into a bull's head. Ends Dec 28. Also The Etruscans and Europe: pottery, bronzes, wall paintings and jewellery illustrating the harmonious civilisation which formed a link between ancient Greece and Rome. Ends Dec 14. Closed Tues, late opening Wed (ave du General Eisenhower) ROTTERDAM Museum Boymans-van

Beuningen Impressionism: an exhibition drawn from the museum's own rich collection of French impressionists, with paintings by Gauguin, Signac and van Gogh, drawings by Cézanne, prints by Toulouse-Lautrec and Bonnard and sculptures by Degas, Renoir and Rodin. Ends Nov 29. Closed SAN FRANCISCO

Museum of Modern Art Luciano Fabro: 50 works of art by a leader in the Italian school of Arte Povera. Ends Nov 29

FINANCIAL TIMES

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Filling in the policy gaps

THE CHANCELLOR'S speech to available market measure of yesterday's Tory party conference was as economically thin as it was politically disappointing. It represented a modest step towards formulating a workable alternative policy to membership of the European exchange rate mechanism. But it failed to tackle the flaw which lies at the heart of British

economic policymaking.

Many aspects of the government's pascent economic policy are welcome. The commitment to low and stable inflation, broadly defined, has been reaffirmed; but zero inflation, a policy target that is as undesirable as it has proved unattainable, has been forgotten. The government will monitor a broad range of monetary and credit aggregates as well as the exchange rate; but flexibility will prevail over any pressure to replace the exchange rate with a

single domestic policy instrument. UK monetary policy at this point needs judgment and credibility rather than religious attachment to a single holy policy grail. The economy needs enough policy easing, mainly via the sterling depreciation that has already occurred, to fuel an export and investment-led recovery. But policy must remain tight enough to prevent a consumer-led recovery or a rise in domestic wage inflation. No one knows how much easing of policy has already occurred. Much more work is required before the government can claim to have constructed a workable framework in which these judgments can credibly be made. Operationally, there is a need for more technical meat to be put on these

Wage restraint

monetary bones.

First, the competitiveness gains of devaluation will only be maintained if nominal wages in the domestic economy grow at a sustainable pace. They cannot be permitted to rise by more than 4 per cent a year, which means pay settlements of no more than 2 per cent in both the private and public sectors. If they do, the authorities may need to tighten policy. Even after two years of recession, average earnings are still rising at 6 per cent a vear.

Second, the government must pay close attention to the gap actions and those of the Bank. The between long-term interest rates

expected inflation. This gap is high and rising, at more than 5% percentage points, it suggests that inflationary expectations are rising. There should be no further interest rate cuts until this yield gap and wage settlements are falling again.

These extra targets are neces sary if the current economic pol icy vacuum is to be filled. But they will still leave a gaping credibility gap in UK monetary policy.

Carte blanche

The case for ERM membership was that it offered a check on the freedom of action of the chancellor and his Treasury team, deemed necessary after the errors of the late 1980s. The ERM proved too demanding a discipline for the economy to handle. But simply to return the freedom to set policy to those from whom it was taken solves nothing. The chancellor's underlying inflation target range of 1 to 4 per cent during this par-liament sounds sensible, even ambitious. But the long lags between action and result in monetary policymaking mean, in effect, that the chancellor has awarded himself carte blanche to do almost anything he wants.

A flexible and credible UK mon-

etary policy can only work if it is managed by individuals within an institution whose goals and judgment are skilfully explained and can be understood, believed and trusted - by the markets, by wage and price setters, and by the electorate. Mr Lamont, his advis-ers and the Treasury as an institution have forfeited that trust. They will not easily regain it.

In spite of the pain of the recession, the UK is still capable of achieving a new consensus about the need to provide low and stable inflation. But to do so, it will need a new institutional framework in which these goals can credibly be pursued. The power to make monetary policy decision must be taken from the Treasury and given to an autonomous, but accountable, Bank of England whose tasks are simple, explicit and free from the pressures of party conferences. And the government needs a council of economic advisers to monitor its government continues to fall short

France's narrow **ERM** options

IN ITS statements on European Bank of France have three basic integration, the German government likes habitually to repeat the words of Thomas Mann. In recent years, Bonn has declared its aim is "European Germany", not a "German Europe". Unfortunately, in monetary terms, the latter state of affairs, not the former, now prevails. This has important consequences for the French government. After the departure of Britain and Italy from the exchange rate mechanism (ERM), the Franco-German relationship, still more clearly than before, lies at the heart of the Continent's monetary arrangements. Paradoxically, in view of France's much improved inflation performance, Germany's influence in that partnership has increased disproportionately. Re-establishing equilibrium will have a vital bearing both on the ERM's future, and on the wider prospects for economic and monetary union (Emu).

September's currency squalls resulted, at least temporarily, in a huge shift of European central banks' currency reserves. The four most important EC economies after Germany - France, the UK, Italy and Spain - lost perhaps 40 per cent of their foreign exchange holdings, while the Bundesbank's published foreign currency reserves rose by nearly DM80bn (£32.3bn) last month. Britain and Italy will both be mobilising large foreign loans - Britain via the Eculobn facility announced in September, Italy through the credit it is negotiating with the EC to repay later this year at least part of their short-term credits raised from the Bundesbank to finance currency intervention.

Three options

In contrast to Britain and Italy, France, with the aid of the Bundesbank, won last month's tussle to maintain its parity. But Paris has yet to show that victory was not Pyrrhic. The Bank of France sharply ran down its reserves, spending at least FFr80bn (£9.52bn), and possibly as much as FFr150bn, to judge by the central bank's weekly currency returns. Although the foreign exchanges have quietened, with the franc yesterday more than 3 plennigs above its D-Mark floor, further upheavals cannot be ruled out.

options. First, the French authorities can remain resolute, patient - and passive. Further Bundesbank interest rate cuts, which now seem likely during the next few weeks, will create room for longpromised cuts in French interest rates. The gap between banks' base rates (held down at government behest at 9.85 per cent) and overnight money market funds (yesterday, 12.25 per cent) is severely squeezing banks' profit-ability – bringing losses which largely will have to be borne by the French Treasury. Yet, so long as the squeeze ends soon, the government regards this as a price worth paying.

Last resort

Second, France could - as a last resort if it faces a fresh run on reserves - carry out a realignment to lower pressure on the franc. This not only would bring great loss of prestige, but also would be economically counter-productive. A revaluation of the D-Mark against the franc, when French unit labour costs are rising much more slowly than in Germany, would further damp German business prospects. Even if a D-Mark/branc shift were accompanied by another Bundesbank interest rate cut, it would make a German recession more likely.

policy credibility by adopting a more narrow ERM fluctuation band against the D-Mark, perhaps reducing the present 2.25 per cent margin to only 1 per cent - similar to action already taken by Belgium. This would buttress the Bundesbank's message that the franc is correctly valued. Such a move could be combined with institutional steps aimed at giving independence to the Bank of France. Narrower bands would involve risks, especially in a politi-cal climate which will become more tense during the run-up to general elections in March. But this step could heighten the chances that France's strategic goal of Emu - inevitably, formed around a Franco-German core will become reality. If a European central bank is, one day, to displace the Bundesbank from its throne, last month's joust with the pheavals cannot be ruled out. currency speculators was just one The French government and the of the battles France needs to win.

It's time to put people first. That is strategy for America. And that will be the fundamental idea that guides idency - Bill Clinton, June



The economic convictions of Governor Bill Clinton. the US presidential election, are now a matter of pressing he make marginal changes to US economic policy or push the US in a radically new direction?

The answer is still hotly disputed, partly because Mr Clinton's speeches are the artful constructions of a master politician. For example, he proclaims his commitment to free trade, yet in the same breath condemns the Republicans for "exporting" American jobs to the Third World. The truth seems to be that Mr Clinton is offering a genuine break with the past. As a conservative southerner, he has little sympathy for either old-style "tax spend" liberalism or Republican laissez-faire.

President George Bush is offering the nation a watered-down version of Reaganism. He argues that big government is part of America's economic problem and pledges new tax cuts if re-elected. Tax cuts particularly more generous relief on capital gains - are sold as a way to stimulate more saving and invest-

ment, thus boosting growth and helping reduce the budget deficit. For Mr Clinton, this is the failed policy of "trickle-down" economics. He argues that rich individuals failed to invest or save in the 1980s despite a halving of the top rate of income tax. Instead of raising productivity growth, supply-side economics led to a consumption binge of unprecedented proportions. Democrats attribute the economy's inability to shake off recession in the past two years largely to the record corporate and personal debts accumulated during the boom years of the 1980s.

Mr Clinton offers policies based on radically different premises. From the day he shook former president John F Kennedy's hand as a schoolboy in the 1960s, he has believed in government as a positive force in people's lives. He believes the US is losing ground relative to Europe and Japan because federal and state governments often do little to support economic growth. Deliberately echoing the rhetoric of Franklin Roosevelt's New Deal, Mr Clinton is offering the American people a "new covenant" a pledge that a revitalised public sector will take active steps to help the forgotten mass of middle-class American families, many of which

have recently suffered a steady erosion of living standards. But in an era of global economic competition and unprecedented mobility of physical and financial capital, how can government best promote high living standards? Drawing on the ideas of advisers such as Mr Robert Reich, a professor at the Kennedy School of Government, Mr Clinton argues that policymakers should concern themselves with factors of production that are immobile, principally peo-

ple and infrastructure. He makes the argument crystal clear in his economic plan, Putting People First: "In the emerging global economy, everything is mobile: capital, factories, even entire industries. The only resource that's really rooted in a nation and the ultimate source of all its wealth - is its people. The only Bill Clinton's economic policies promise a radical break with the laissez-faire of the 1980s, writes Michael Prowse

Southern comfort

way America can compete and win in the 21st century is to have the best-educated, best-trained workforce in the world, linked together by transport and communication networks second to none.

The underlying logic seems persuasive. US per capita incomes once depended purely on the performance of American companies. In a global market, they now depend on Americans' ability to gain employment with the world's most dynamic companies, regardless of their ultimate ownership. One route to high US living standards is thus to persuade the most productive companies - German and Japanese as well as American - to locate high-tech plants and research facilities in the US. But they will do this only if the US offers a better environment for business than other countries, which means a better-educated workforce and a modernised public infrastructure.

n education and training, Mr Clinton's proposals move well beyond the usual focus on high-school reforms. By proposing a national apprenticeship programme based loosely on continental European practice, he has become the first presidential candidate to take seriously the educational needs of the majority of Americans who do not attend university. To help those already in the workforce, he would oblige employers to invest about 1.5 per cent of payroll in training or contribute to the cost of public

training schemes. The college-bound, meanwhile would benefit from financial reforms allowing all qualified students to borrow from the government and repay loans either through a low tax on subsequent earnings or by serving the community for a limited period after graduation, for example as police officers or social workers. The bold idea of encouraging thousands of graduates to pay for college by enlisting in a domestic "Peace Corps" is especially appealing for middle-class families hit by rocketing tuition

On infrastructure investment, Mr Clinton's plans go beyond mundane projects such as new bridges and roads. He favours Japanese-style bullet trains and promises to create a "communications network of high-technology interaction that will link every home, every school, every factory, every business in America, and put us in the lead economically well into the 21st cen-

Mr Clinton's case for more activist government has other important planks. He sees healthcare as partly an economic issue, because soaring costs are putting an intolerable burden on much of American business. The Republican claim that competition can bring down costs is dis-



missed as yet another failed nostrum of the 1980s. Noting that a competitive free-for-all has led to healthcare spending equivalent to 13 per cent of gross domestic product - easily the world's highest -Mr Clinton argues convincingly that the US must learn lessons from other advanced countries and accept the need for sterner government regulation, including national spending caps.

He is also openly advocating a more interventionist industrial pol-icy, partly to help redeploy resources devoted to defence during the cold war years. His advisers say he is not interested in "picking winners" but does believe that the federal government could do more to

support the development of new "generic" technologies in fields such as robotics, high-speed computing and biotechnology. He would create a civilian research and devel opment agency "to bring together business and universities to develop cutting-edge products and tech-

For many economists, however, Mr Clinton's otherwise attractive plan is flawed by a failure to address the nation's single most pressing problem: the federal budget deficit. His promise to "halve the deficit" by 1996 despite proposing an additional \$200bn of investment in education and infrastructure is not regarded as credible. The extra spending is not large relative

to the US budget, but it is likely to inflate the deficit because the offsetting tax increases and spending cuts proposed are dubious. For example, Mr Clinton has unrealistic hopes of raising about \$850n from the top 2 per cent of earners and \$450n from foreign companies oper-

H0

Mr Clinton's failure to propose tough fiscal measures - such as Mr Ross Perot's bracing \$160bn increase in petrol taxes and \$230bm cut in entitlement programmes makes a mockery of his pro-growth rhetoric. The drain on national savings from record budget deficits is arguably the single most important cause of low investment and productivity growth. Yet what should Mr Clinton say if he hopes to win the election? Should he make the same mistake as Mr Walter Mondale, the Democratic candidate in 1984, and call for a general tax increase? This would be to present himself as a lamb for slaughter.

iven electoral realities budget policy should erhaps not count as a clear negative for Mr Clinton. His promise to raise federal investment without specifying credible tax increases is no more irresponsible than Mr Bush's pledge to cut taxes without specifying offsetting spending cuts. What he will do if he wins the election is uncertain; if the economy is still stagnant, he will face immediate pressure to agree a fiscal

But there is little reason to fear he will perform worse in the medium term than the Republicans, who have quadrupled the national debt in 12 years. He may do better. As governor of a poor state, he is used to making hard fiscal choices and is reputedly keener on budget balance than most of his economic advisers. He may even take advantage of an emerging consensus in Congress on the need for budget retrenchment finally to bring the deficit under control

Many elements of the Clinton plan have received broad support – in normally Republican business circles as well as in Democratic strongholds such as the teaching profession and labour unions. Peopie appreciate Mr Clinton's long time horizons. In the US, economic policy debates have normally been restricted to next year's tax and spending plans. Mr Clinton is breaking new ground by shifting the focus to the long-term determinants of productivity growth, such as the quality of the workforce.

The common thread linking different parts of the plan is the notion that the US must adapt and become more like its main trading rivals, such as Germany and Japan. It is striking that each of Mr Clinton's main reform proposals - in education and training, infrastructure, healthcare and industrial policy would push the US economy in a distinctly European direction.

Mr Clinton, in effect, is offering the American people something akin to a Germanic social market in which free enterprise is bolstered, rather than undermined, by strong social policies. This approach is not without risks: greater state intervention can inhibit the ability of economies to respond flexibly to economic shocks, which is one reason why German unification has imposed such great strains in Europe. But it also offers the prospect of greater social cohesion, which may be more important in the long run. Mr Clinton's success in the polls suggests Americans are ready for what could prove an historic change of direction.

Swiss made since 1848.

Joe Rogaly

Lamont's guiding star



British governpolicy. Every morning the chan-cellor of the exchequer will read the newspapers, check the markets, lick

his finger and put it up to the wind, tap, perhaps, at a lightly boiled egg, and decide what to do. He may, of course, take advice. He will be able to draw upon the distilled wisdom of the economists, forecasters and officials who got us where we are today.

He will not be entirely rudderless. He has chosen a guiding star. Over the next four or five years underlying inflation will be kept down to between 1 and 4 per cent. This is a firm objective, to be met with deter-mination, unless it suits the government to break it. Since the experience of the past few weeks teaches us that events control the chancel-lor, and not the other way around, the meaningfulness of this aspiration is clusive.

I summarise, but in the two paragraphs above you have the essence of Mr Norman Lamont's speech to the Conservative party conference. The technicalities of what he had to say were set out in a letter to the Treasury and civil service committee of the Commons. The speech plus the letter appear to have been received with some bemusement by the markets. The address itself was greeted with less than rapturous applause by the assembled Tories at their convention in Brighton. This is hardly surprising. Most of the Tory party workers are aware that the devaluation of the pound will work its way through to inflation. Some appreciate that there is a political limit to the amount of political limit to the amount of deflation that the public will stand. The conclusion is inescapable. Decisions well within the government's control may lead it to abandon Mr

and have the second of the

Lamont's guiding star. Politics could yet drive the Tories to cut

I do not wish to be unfair to the chancellor. He has been consistent in his determination to reduce inflation. While Britain was inside the exchange rate mechanism his policy in that respect succeeded remarkably well. It is wholly characteristic of him to indicate that he wishes to persevere now that the foundations of his previous strategy have crumbled. It is, equally, in character for the prime minister to encourage Mr Lamont. Both are aware that to reduce interest rates rapidly, as called for by some at the conference, would constitute a hugely

He is determined to hold down inflation, unless it suits the government to do otherwise

expensive purchase of short-lived popularity. It is to their credit that they have not succumbed to that

All of this would be more enthusi-astically received if the government was politically secure, or if the chancellor had a bottomiess fund of credibility upon which to draw. Unfortunately neither condition prevails. The government has yet to regain its authority. Mr Lamout's political difficulties diminish his effectiveness. He may win through, and surprise many of his detractors, but he has a way to fine.

but he has a way to go.

He is fighting to rebuild his reputation, with the zest and energy of a cornered politician. A series of four long-standing public engagements could make or break him. Success at all four would go a long way towards restoring his image; sus-tained market approval would put him on the road to rehabilitation. The first of these appearances, at a fringe meeting on Wednesday night was revealing. He gave a lecture on Suropean policy. It stuck faithfully to the government's line, which is currently "support Maastricht, as amended". Yet the tone of his remarks, well understood by his Euro-sceptical audience, belied their content. He was saying: "I am one of you." He thus exposed himself as not pure metal, but an alloy.

It was the same yesterday. He did not mention Maastricht to a conference whose nationalists are loud and vociferous. An inattentive listener might conclude that there was no intention to return to the ERM. In the accompanying technical let-ter he set conditions for re-entry which anyone with a knowledge of recent history would realise could

As one observer, close to Mr John Major, remarked, Mr Lamont wobbles. He does it for understandable political reasons, but it does not help the government or the prime minister. We shall see whether the pattern is continued when he addresses the Commons committee on Monday, or at his Mansion

House speech later on.

His colleagues will be watching closely. For the moment the inner core of the government seems united. Mr Douglas Hurd, Mr Ken-neth Clarke, Mr Michael Heseltine, Mr Major and Mr Lamont are co-operating, although the first three are Euro-enthusiasts and the latter is anxious to maintain his reputation as a sceptic. The five sat together through Black Wednesday, their amazement growing as Mr Lamont and his officials told them the news. The Tories' world had fallen apart in the chancellor's hands. The for-eign and home secretaries, not to mention the president of the board of trade, may find it uncomfortable if they are obliged to sit back as the chancellor makes all the decisions

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PERSONAL VIEW

How to repair the Anglo-German rift

By Helmut Schmidt



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The same

mary source of discord is money. But carrency matters are also questions of politics. As a result, the pound's collapse has sent the Anglo-German political barometer plunging.

We must try to avoid the to of a way storm turning into a permanent climatic downturn. It is time that the British governto see and the contract of the ment and the Bank of England as well as the newspapers in both countries - become aware of the political damage wrought by thoughtlessness on both sides.

Service and a few services of the services of For some important causes of the dispute, we must turn to Germany. There are sharp discrepancies between the fiscal policies of the government and the monetary policy of the Bundesbank. The differences have their roots in Bonn's decision in 1990 - against the advice of the then Bundesbank president, Mr Karl Ötto Põhl – to introduce the D-Mark into Rast Germany at a rate which amounted to a large revaluation of the East German mark. The apparently generous onefor-one conversion rate was one of the reasons for the speedy collapse of the East German economy, leading to large financial demands from the east and enormous German

public-sector borrowing. Mr Theo Waigel, the finance minister, stresses that growth in the borrowing requirement of German central government has been relatively small. At best, this is naive self-deception. If we include all the special funding vehicles intro-duced since unification, as well as the budgets of the states (Länder) and municipalities, it is clear that public-sector bor-

rowing is still accelerating. This unparalleled call upon private savings both in Germany and abroad represents a burden on badly needed corporate investment and on residential construction. Additionally, since the proceeds of the loans are channelled above all into consumption in eastern Germany, long-term capital is effectively being converted into cash spent on consumer goods.

The increase in money in circulation has understandably unsettled the Bundesbank, which long warned of the consequences of Bonn's apparently "painless" fiscal policies. This was the fundamental reason for Mr Põhl's resignation last year. The Bundesbank has



Helmut Schmidt: monetary policy is also foreign policy

been trying to use high interest rates to keep money supply under control - without success, because high D-Mark interest rates have attracted considerable amounts of for-

eign liquidity to Germany. The Bundesbank has thus itself contributed to the increase in the money supply, and has also brought the D-Mark under revaluation pressure. Last month central banks sought, through massive intervention, to avoid the devaluation of other European currencies. In the case of sterling and the lira, this was unsuccessful. But the transactions of the Bundesbank and other central

more to bring about a fiscal about-turn than a continuation of monetary strangulation.

The present gulf between monetary and fiscal policy is unparalleled since the foundation of the federal republic in 1949. The main blame lies with the federal government. It must recognise that budgetary spending, subsidies and tax allowances must all be cut in areas from defence expendi-

ture to agriculture.
If further funding is still needed, then tax increases must take priority over a further rise in indebtedness. A vital condition for this change in course is the successful con-

As a consequence of their budget policies, the German chancellor and finance minister are also in the dock

banks nonetheless led to a gross increase in domestic D-Mark liquidity (before allowing for money market sterilisation) of about DM100bn during

the past few weeks. The Bundesbank council must now concede that its tight money policy has been counterproductive. Germany's monetary watchdog has bitten its own tail. The Bundesbank's monetary policies are powerless to counter the inflationary impact of Germany's overall public sector deficits. With record interest rates, however, the Bundesbank can deepen the recession. A dramatic resignation of the Bundesbank

clusion of the "solidarity pact" Chancellor Helmut Kohl is trying to negotiate with trade unions and employers to hold down the costs of unity.

What are the lessons for the UK? With enormous effort and sacrifice, Britain won the war against Hitler's Greater Germany. Since then, however, Britain's economic prowess, relative to international competitors, has gradually but continuously fallen. France, Germany and other countries long ago exceeded its per capita economic output Britain's chancellor has

made "speculators" responsible for pressure on sterling. He also blamed Mr Helmut Schles-

inger, the Bundesbank president, whom he accused of provoking speculation through indiscreet comments. This sparked off a journalistic and

political broadside against Ger-

many; the German counter-fire was hardly less wounding. It is true that, on the money markets and foreign exchanges, speculators are indeed at work. Constant rumour-mongering leads to a climate bordering on mass hysteria. That is one reason why fixed exchange rates are preferable. Such a system was in force until 1973 for the entire industrialised world. In a modified form, fixed rates have also been in place since 1979 in Europe as a result of the European Monetary System. Of course, the rules of such a system foresee occasional changes in parities when economic fundamentals are no longer in equilibrium. Up to last month's realignment, RMS governments kept exchange rates fixed for several years, above all for prestige reasons - a motivation which particularly

guided the British government. Mr John Major and his chancellor are not magicians. In the short time since Britain became a full EMS member in October 1990, they have not been able to improve the fundamental state of the British economy. So their resolute attempt to maintain the sterling parity was doomed, sooner or later, to fail - corresponding to the pattern of the past 40 ears. I only hope the search for German scapegoats soon gives way to good old-fashloned British commonsense.

The Germans must also find their way back to the path of reason. They must learn to avoid arrogance. They must restrain themselves from making indiscreet remarks in interviews, even when these comments happen to be factually correct. Criticism may be directed at the UK government. But I must emphasise that, as a consequence of their budget policies, the German chancellor and his finance minister are also in the dock.

The Bundesbank has to realise that the rise in the D-Mark is damaging Germany's exports. And the central bank's president and vice-president must learn the art of discretion; they have handed too many cheap arguments to British opponents of Maastricht. Above all, everyone must realise that monetary policy is also foreign policy. If we are to avoid further misfortune, all concerned should conduct themselves accordingly. The author was chancellor of

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Efficiency in | Unilever chief urges industry to the trade associations

From Mr Michael Perry. From Mrs Moira T McMillan. Sir, I write to express Unilever's views on the ratifica-Sir, You report the Department of Trade and Industry's tion of the Maastricht treaty. interest in bringing greater We strongly believe that ratiefficiency into trade associafication should be firmly tions ("Ministers query cost of endorsed by business and trade groups", October 5). We industry throughout Europe, in the coatings industry (£2bn and that organisations within annual turnover) are streammember states, such as the lining our services to provide Confederation of British Indusbetter value to our member try, should actively support companies. My association is their governments through the local ratification process. Unilever is a global business, following the federation route

by incorporating the Printing ink Manufacturers from Janubut some 60 per cent of our ary 1 while enabling existing sales still take place within our paint, powder coatings and wall-covering activities to European heartland. Unilever believes that failure to ratify flourish within a single organithe Maastricht treaty would sation. There is also regular represent a big setback in the co-operation with kindred assocontinuous process of establishing a strong and competi-tive Europe within the world ciations on individual matters of mutual interest where coliaborative effort is economical

and provides comprehensive The formalisation of the sinindustry input to government. gle European market in Janu-Individual companies will ary 1993 represents a new milecontinue to support and belong stone in the rationalisation of to such clearly defined and our European markets, and it appropriate trade groupings, in will undoubtedly bring signifiwhich their detailed technical cant benefits to our customers and trade interests can be iden-

tified and serviced by experts. There is a sense of déjà-vu in your report as the business of trade representation has been examined on several occasions in the past. The logical conclu-sion of the "bigger is better" argument is that companies become direct members of the Confederation of British Industry and that the specialist sector associations close down. This might suit Mr Heseltine's mandarins but nobody else! Moira T McMillan,

Paintmakers' Association, 93 Albert Embankment.

London SE1 7TY

endorse Maastricht ratification the fact that if the process of

throughout Europe, notably in the form of greater efficiencies and reduced costs. The Maastricht treaty, as now drafted, builds on that

achievement. Specifically, it provides for the evolution of a political and monetary framework which will enhance and enable the even more effective working of the single European market. Like all such treaties, it embodies compromises and trade-offs designed to address the circumstances and concerns of individual member states. Taken as a whole, however, it is undoubtedly good for

As a leading international company with a base in the UK, Unilever would also wish to make its views clear on the British position. We note the specific exceptions which were negotiated by the prime minister at Maastricht, and we believe they address widely held British views. The treaty is good for Britain and we

should endorse it.

ratification in Britain were to fail, the position of Britain within Europe would be gravely damaged. Whether or not other member states decided to proceed without us, our political and economic isolation would increase dramatically, and our business competitiveness both within Europe and in world markets would be seriously threatened. Britain's status as a preferred location for inward investment to Europe would be at risk, and the competitiveness of our goods and services in world markets would be progressively eroded.

Seen from a world perspec-tive, Britain is self-evidently a part of Europe, and our future is beavily dependent on forging ever stronger economic links with our European neighbours. Michael Perry.

chairman, Thrilener House More important, however, is

Blackfriars, London EC4P 4BQ

Free from football 'slavery'

From Dr A I Berry. Sir, Many football supporters, and perhaps some managers, might occasionally recognise Observer's description of some football players as intan-

October 7). However, the assertion that investors "own" 197p of players for each share seems to contravene the anti-slavery laws, where it becomes illegal for one person to "own" another person. A great deal of the

impetus for human asset

accounting failed the anti-slav-

ery test.
The whole contract-transfer system in football should also be abolished, freeing players to sell themselves in this labour gible assets ("Numbers game", market and encouraging employers to have less ownership and perhaps more respect for the players. A J Berry,

senior lecturer in management development, Manchester Business School, Booth Street West, Manchester M15 6PB

A singular fall

From Mr G T Parker. Sir, Has anybody else detected the subtle aim of the government of achieving a common European currency

without all this ERM bother? As soon as £1 is worth DM1, presto, a single currency! At the current rate of fall of the pound this should be reached before the year end, quite a breathtaking achievement during the British presidency. G T Parker.

40 Curtus Road. Fenham, Newcastle upon Tyne

Outrageous cost of 'just in time' | Facing own financial guns

From Mr James Wimberley. Sir, Your leader, "Rational roads" (September 29), makes a good case for road pricing but misses one key target. The growth in goods traffic by road is fuelled by the switch to "just-in-time" manufacturing. A good part of the benefits of this scheme stem from an outrageous ploy to externalise the

costs of stock holding. Firms

are in effect dumping their stock costs on the street, where congestion and accidents are paid for by other road users. True economic efficiency calls for flerce charges on goods transport by road, under the slogan: kanban plus vanban! James Wimberley,

2 rue de Cheverrai. F-67000 Strasbourg,

From Mr Jeremy Archer. Sir, The government of the Irish Republic has announced a support package for those Irish companies adversely affected by the recent sharp appreciation of the Irish punt against sterling ("The ERM and Maastricht", October 6). Among other measures, I£25m of EC structural funds will be made available to "underwrite

exporters and those facing competition from the UK". The UK is the second largest net contributor to the EC budget and so, as well as leaving the ERM with indecent haste, we are now suffering the further indignity of having our own guns turned upon us. Jeremy Archer, 100 Haldon Road London SW18 1QQ

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OBSERVER

No retreat for Norman

■ Although the monk's cell was ready and waiting, Norman Lamont has decided not, after all, to go into retreat. The monastic community in question is Mount Athos in northern Greece, where the chancellor of the exchequer had been invited by Greek central bank governor Ethymios Christodoulou for a sojourn over the weekend

after his make or break

member of the cabinet.

conference speech. However tempting the option might have seemed in theory. Lamont declined on the grounds of pressure of work. But in reality he may have been put off by John Gummer who took a trip to Mount Athos recently in the company of Sotiris Kouvelas, minister to the premier's office and reputedly the most devout

The community, once a safe but austere refuge for Orthodox Christians in politicai disgrace, is stili no place for the faint-hearted. The holy mountain's 20-odd monasteries still run on Byzantine time, which plays havoc with meals. The menu is usually beans and wine meat is also banned. Pilgrims are supposed to walk from one part of the complex to another.

What's more, there is a strict ban on females of any species, which is more than can be said for the Cambridge Union, where Lamont is billed to speak next Friday on a motion that "Labour and the economy do not mix". Interesting to see whether he cancels this engagement too.

Paltzer's how-to

■ The bottom of a recession would not seem to be the best time to launch yet another

Do-it-Yourself magazine on to a depressed UK magazine market. But Swiss born publisher Rolf Paltzer is confident that he's got his timing spot on with his first

magazine Here's How. He's no stranger to British magazines. In the 1980s he turned the women's magazine market on its head when working for Gruner and Jahr, the German publishers. In 1986 he launched Prima and year later Best, proving that a newcomer with a different idea can conquer the competition even in a mature market.

But it is one thing entering the UK market with the backing of a German publishing giant. It is quite another doing it as an independent. However, the 42-year-old Paltzer, who quit G&J a couple of years ago, thinks he's spotted a gap: "There's nothing between brick-laying and soft furnishing." The market is ready for an idiot-proof guide, he tells me.

High flown

■ Leading citizens of Hong Kong are somewhat bemused by Chris Patten. While basking in esteem as a reforming governor, he has taken to regaling breakfast guests at Government House with a poem – "In a large Greek Colony, 200 BC" - which perhaps suggests that the governor does not expect his popularity to last.

True, the poet -Constantine Cavafy, who died in 1933 - begins by saying "more than a few believe the time has come to bring in a political reformer". But he then warns that "they make a tremendous fuss about everything," and adds:

"They probe everywhere, question the smallest detail, and right away think up



'Same time next year,

immediate execution ... And as they proceed with their investigation, they find an endless number of useless things to eliminate - things that are, however, difficult to get rid of."

Hence by the time "they retire (also taking the wages due to them), it's a wonder anything's left at all after such surgical efficiency". Accordingly, the poet concludes, "maybe the moment hasn't arrived yet".

For the benefit of any Government House breakfaster who is treated to Patten's recitation and can't think of a spitable response, Observer has consulted the FT's specialist on clipping culture vultures' wings. The correct reply, he says, is: "But it doesn't rhyme."

Electrifying

■ Remember "roach motels"? They are traps designed to destroy one of the more troublesome inhabitants found in apartment blocks in big cities like New York. "They may check in but they never

advertisers. Unfortunately, the little critters quickly wised up to this trick and far too many failed to check in in the first place.

However, the roaches of the industrialised world now face a more frightening enemy -Greg Jeffreys, winner of Australia's Inventor of the Year award. He's sold 10,000 of his Cockroach Zappers at home and is now entering the hugely important Japanese

His plan is to fry the insects to death with 6,000 volts of electricity. "Controlling cockroaches with chemicals is very inefficient because they are very clever and become immune to poisonous chemicals very easily," he says. He is happy to swallow his own bait to prove that it is harmless and stresses that the resulting electric charge is weaker than the static

discharged by a woolly

Biter bit

■ It's not even a dog's life any longer for poor old Ben, erstwhile chief barker at Wern Gounsel Farm in Pandy, Wales. His kennel has been taken over by a ewe called Dalsy who, having been adopted as a pet lamb a year ago, has grown up convinced she is a fellow-hound.

"Now she won't stay in the field with the other sheep," says her owner Jayne Shields. "When it rains she grabs Ben by his ear and pulls him out of his kennel so that she can shelter.'

Pat answer

■ Walking into a bank in Dublin, the Englishman asked to change sterling into punts. "So it's some hard currency you're after having," came the TEL: 071-248 7464

FINANCIAL TIMES

Friday October 9 1992



Federal Reserve says signs of economic slowdown remain inconclusive

US rate cut unlikely before poll

By Michael Prowse in Washington

THE US Federal Reserve is unlikely to cut interest rates before the presidential election on November 3 because it regards as inconclusive recent signs of economic stowdown

Recent figures confirm that economic growth is not accelerating, as forecast, but they do not point conclusively to a fresh slowdown, a senior Fed official

The official said relatively strong figures for car, truck and retail saies conflicted with other evidence of economic weakness, such as last week's poor employment data. He said the most likely prospect was for a continu-

ation of growth in the 1-2 per cent range. But he conceded that such sluggish growth might result in a further increase in unemployment in coming

A cut in US rates was widely expected in financial markets this week after a string of disappointing economic reports, including falls in industrial orders, consumer confidence and employment.

employment.

The Fed's decision not to cut rates probably also reflected a desire not to appear partisan in the approach to the presidential election or to cause further turbulence in currency markets, where the dollar remains weak.

The official said much of the

dollar's weakness reflected tem-

ing a lengthy adjustment period, he said. Reductions in long-term bond yields would do far more to stim-

porary interest rate differentials

and was not a source of concern

He was sceptical of the merits of a short-term fiscal boost to

"kick start" the economy, even if

The main factor depressing

economic growth was balance sheet strains, reflecting high

debts accumulated in the 1980s to

buy assets, principally real estate, that had since fallen in value. The need to rebuild savings and reduce debts had

diverted purchasing power and

meant there was no way of avoid-

it were linked to longer-term fis-

in the longer term.

cal restraint.

cuts in short-term rates, which were already down to 3 per cent. Long-term rates were high mainly because markets were worried by the US's large budget deficit and by the risk that infla-

tion would rise in a few years.

The official said long-term rates could fall as much as 1.5 percentage points, to about 6 per cent, if agreement could be reached on a fiscal package involving statutory reductions in "entitlement" programmes such as health care.

The official defended the Fed's "gradualist" policy of lowering interest rates. He said the Fed could not have moved more aggressively for fear of raising inflationary fears.

Gorbachev criticises Yeltsin for raid on his institute

By Chrystie Freeland in Moscow

MR MIKHAIL GORBACHEV, the former Soviet president, yesterday accused his successor Mr Boris Yeltsin of "authoritarian tendencies" after an early morning raid on his institute which his aides described as "the second October revolution".

"This is an act of political revenge." Mr Gorbachev told journalists yesterday, after he and a few assistants managed to force their way into the graceful, parquet-floored building from which his Gorbachev Foundation is being ousted. The former leader said the move exemplified "the increasingly authoritarian tendencies of today's leaders".

The eviction, ordered by decree by the Russian president on Wednesday night, followed Mr Gorbachev's declaration in a Russian newspaper interview that Mr Yeltsin was "clearly not coping

Mr Gorbachev learned his foundation was to be displaced by a new academy for financiers when he turned on his television on Wednesday night.

Then early yesterday morning, Mr Arkady Murashov, the Moscow chief of police, with three busloads of municipal police and, according to the newspaper Izvestia, the Omon anti-riot forces, blocked all



Out in the cold: Mikhail Gorbachev is barred from his institute by armed police after refusing to attend the constitutional court for its inquest into the Communist party

entrances to Mr Gorbachev's premises. The police sealed off the accounts and storerooms of the building, leading Mr Gorbachev to joke that they might be seeking the gold and dollar reserves allegedly stolen by the now disbanded Communist party. Speaking after the police action, Mr Gorbachev said: "This is an effort to step on Gorbachev's heels, to always whisper in his ear 'Watch out, we will put you in your place."

you in your place."

Mr Alexander Poklad, a Yeltsin spokesman, said that Mr Yeltsin was "above petty recriminations" and would not respond to Mr

Gorbachev's charges. He claimed that the only objective of the presidential decree was to secure more space for the vital task of training financial specialists.

training financial specialists.
However, Mr Yeltsin's tough action highlights his tendency to hold personal grudges and resolve troublesome issues by presidential flat.

Mr Gorbachev, who is barred from leaving the country because of his refusal to answer a second summons by the constitutional court in its inquest into the Communist party, was deprived of his black limousine when he attacked Mr Yeltsin's economic

performance earlier this year. The former leader, who in the

The former leader, who in the past was equally capable of dealing humiliating blows to his protégé who became his rival, has gained some public sympathy as a result of the high-handedness of Mr Yeltsin's actions and the hardships caused by his eco-

nomic reforms.

But Mr Gorbachev, claiming that ordinary Russians had criticised him for "not putting today's leaders in their place", quashed suggestions of a political comeback because, he said, "Russia today does not have the luxury to change political leaders."

Soft targets

Remember the promise to balance the budget over the cycle? Or the vehement assertion of no devaluation? Well, now the chancellor has presented us with a formal inflation target. As of Angust, the UK did not meet it. Today's figures for September may conceivably fall within the range, but only just, despite the severity of the recession. The rest of yesterday's statement contained little new to fill the policy vacuum. The government has left itself free to look at everything and pay attention to nothing in deciding policy, though, as the markets had already come to suspect, there is clearly no chance now of a dash for growth.

That is not encouraging for equities, though it should be positive both for sterling and for the long end of the gilt market which duly responded by rallying a point. While the chancellor's fumbling presentation leaves a great deal unanswered about the longer term policy mix, the inflation threat from devaluation will remain muted while economic activity remains so depressed. Any immediate blip in prices can be excused, as the Treasury statement implies, on the grounds of changing terms of trade. There is time to sort out the budget, especially from behind the shelter of relatively high interest rates.

The real credibility test for the inflation target will come only after recovery has begun. The government would need a better articulated and more predictable policy. Then again, there is perhaps no hurry. Devaluation may have made UK exports more competitive, but overseas markets are weak. Mr Lemont has not done much yet to secure growth.

Equity indices

On an optimistic reading of the economic cycle, this is an auspicious moment to launch an index of medium-sized companies. Having been roundly out-performed by the bigger FT-SE 100 stocks over the past three years, companies in the new Mid 250 index should recover the lost ground during an upswing. For one thing, the new index is weighted in favour of sectors such as engineering and construction which are geared to domestic recovery. Midcap stocks are also, on average, more heavily borrowed and stand to benefit particularly from lower short-term interest rates.

Indeed, on most conventional valuations Mid 250 stocks look cheap: the index is trading on a multiple of Hong Kong
Heng Seig Index
8,500

5,500

4,500

around 13 times last years earnings, against 15 times for the market as a whole. The US experience, though, suggests medium-sized stocks are vulnerable to disenchantment even in the early stages of recovery. The Standard & Poor's Midcap index outpaced the S&P 500 during 1991 in anticipation of the turn, but has fallen behind this year. With this in mind, UK institutions may be wary of buying an index which contains a fair few troubled former FT-SE 100 stocks until there are

clear signs of a domestic upturn.

There is also a penalty in terms of higher trading costs. The average dealing spread for Mid 250 stocks is some 75 per cent higher than for FT-SE 100 shares. That said, there must be a fair chance that higher trading volume in mid-sized stocks will encourage tighter spreads.

UK electricity

Mr Stephen Littlechild, the electricity watchdog, is struggling with some knotty issues. His paper on future supply regulation invites submissions on alternatives to the price control RPLX formula. But in the same breath it appears to dismiss the main possibilities, such as rate of return regulation. Perhaps this is not surprising. Mr Littlechild has been closely identified with the development of the RPLX regime and might be expected to defend it.

Price control does indeed provide efficiency incentives which other systems lack. Yet a rate of return is implicit in assumptions made about any price cap and the reasonable efficiency gains a company can make.

pitched at a level to make the implied rate of return comparable to that of similar businesses. Rate of return cannot simply be ignored. goffers pri

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The RPI-X system functions well enough for the business of transmitting power down the wires: a natural monopoly from which the regional electricity companies earn almost 95 per cent of their profits. Supply - the buying and sellting of electricity - is not naturally a monopoly. With more competition, price regulation could be abandoned for all but domestic customers. Unfortunately supply is a low margin business, so to lure new entrants Mr Littlechild may be tempted to sweeten supply returns at the expense of distribution. British Gas must be watching keenly. The issues of acceptable rate of return and the balance of distribution and supply are at the heart of its Monopolies and Mergers Commission reference.

Hong Kong

Beijing's reaction to Mr Patten's proposals for greater democracy is merely one of several uncertainties overshadowing Hong Kong at the moment. The bitter dispute over US access to Chinese markets, foot-dragging over Hong Kong's new airport, and the outcome of the US presidential election are issues of at least equal importance to stock market investors.

For this reason the next few weeks may well provide a rollercoaster ride even by the colony's normally exciting standards. The immediate fall-out from Mr Patten was restricted to a 33 point fall in the Hang Seng — but much depends on what sort of a rocket he receives when he visits the mainland later this month. The trade issue comes to a head this weekend. While the betting must be on a peaceful settlement, shares will be marked sharply lower if US sanctions are imposed. The reality, if it comes, of a protectionist President Clinton would be another joit to local sentiment.

The question is how far investors will set aside short term concerns and concentrate on China's long term potential as the engine of Hong Kong's continued growth. There remains the virtuous combination for equities of high inflation and cheap money, though as Europeans know such a mixture cannot last forever. The danger signs will flash when US interest rates begin to rise. But on the assumption that this is yet some way off, there could be another leg to the bull market around the turn of the year.

UN chief warns of Bosnia deaths

By Laura Silber in Belgrade and Michael Littlejohns In New York

THE commander of UN forces in Bosnia yesterday warned of a race against time to prevent the deaths of up to 400,000 people this winter as Bosnian officials said there had been 15,284 deaths in the six-month war in the former Yugoslav republic.

General Philippe Morillon, the French commander, said repairs of water, electricity and roads were a priority of UN peacekeepers, who are due to be boosted by about 6,000 additional troops by late November.

He restated that the UN

Protection Force was prepared to fire in self-defence and in protection of civilian technicians. Bosnian Serb leaders have pledged to respect the agreement to allow the UN force to help in repairs to water and power

The UN Security Council appears ready today to approve a western resolution banning Serbian combat flights over Bosnia-Hercegovina in a measure that could eventually lead to military enforcement.

Britain and France demurred over an initial US proposal to permit the immediate use of allied fighter aircraft to enforce the ban, believing aerial dogfights could place UN peacekeepers at risk as they escorted aid convoys.

Speaking in Belgrade, Gen

Morillon said he "believed radar and Awacs would be sufficient control" rather than fighter aircraft. But a western diplomat in Belgrade said Serb forces had used combat aircraft on Wednesday in an attack on Gradacac, the northernmost Moslem stronghold in Bosnia.

Under the resolution agreed among the three powers, the Security Council would undertake to "consider urgently the further measures necessary to enforce this ban" only in the event that it was contravened by Serbian sircraft.

There is provision for monitoring of the no-fly order by UN forces, "including the placement of observers where necessary at airfields in the

territory of former Yugoslavia."

UN troops would have the further responsibility of scrutinising and approving the purpose of flights to and from Bosnia-Hercegovina other than those specifically banned.

The council would call upon states to take nationally, or "through regional agencies or arrangements", all measures needed to assist the UN force with technical monitoring and other capabilities.

Diplomats said this was an invitation to the US and its allies to provide high technology facilities such as satellites, advanced warning and other reconnaissance aircraft to ensure that the Serbs observed the UN order.

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UK opts to target long-term inflation

Continued from Page 1

spending negotiations, said that public sector pay awards would bear much of the squeeze. He said that the exchange rate

- measured by its index against a basket of currencies - would remain a significant factor in interest rates decisions. But he stressed that there would be no specific target for the rate against individual currencies.

The chancellor said that the conditions for RRM reentry - an end to the turbulence on for-

against individual currencies.

The chancellor said that the conditions for RRM re-entry — an end to the turbulence on for-eign exchange markets, changes to the operation of the system and closer realignment of the economic cycles in Germany and

Britain — "are unlikely to be satisfied soon".

In the interim, the Treasury would look at a range of indicators including M0 and M4, the narrow and broad money supply measures, as well movements in

the prices of assets such as houses.

Mr Lamont conceded that inflation might on occasion burst out of the prescribed range but pledged that, in those circumstances, the government "would have a duty to explain" why it had happened and how it would

be rectified.

Turning to interest rates, Mr
Lamont said that the one point
cut to 9 per cent in the wake of

sterling's departure from the ERM had been justified by the inflation outlook. His speech did not exclude a further modest reduction but he stressed: "In the months shead I must continue to fight the battle against inflation and take no risks."

inflation and take no risks."

Mr Lamont left the platform uncertain whether he had restored his authority. After a debate which saw a chorus of calls from party activists for drastic reductions in interest rates to pull the economy out of recession, colleagues were reluctant to rule out a reshuffle which would see Mr Lamont move from the Treasury during the first half of next year.

Currencies

Continued from Page 1
tion, current accounts and

short-term deposits — should be regarded as the most important indicator of monetary stability. In his speech yesterday, Mr Gaddum reasserted the bank's strategy: to steer money supply growth rates back into the target range of 3.5 per cent to 5.5 per cent a year, and reduce inflation. However, he warned, it would not be possible to meet money

growth targets this year.

After running at 9 per cent in August, growth in the main M3 measure was further accelerated by the bank's interventions during the recent currency crisis.

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OTHE FINANCIAL TIMES LIMITED 1992

Friday October 9 1992

SPECIALITY CHEMICALS **ELECTRONIC COMPONENTS** DISTRIBUTION

Quality Technology Service

KIO offers property stake for debt

The Kuwait Investment Office (KIO) is to write off its property investments in Spain and ask creditor banks to take over its 34 per cent stake in Prima Inmobiliaria, the domestic property developer, as payment for debts. Page 18

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Service Comments

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This year's record peach harvest in Greece has also led to a record surplus - more than half of the crop goes straight from the orchard

Discount brokers tied up

Last month the share price of Charles Schwab, the biggest discount broker in the US, plunged more than 20 per cent after a warning that third-quarter profits would be much lower than expected. Although the warning surprised investors, it should not have come as a shock to anyone who understands discount brokers and how tightly they are tied to market cycles.

Tough act to follow



The founder and chair-Pohang Iron and Steel Company (Posco), the world's third largest steelmaker, this week suddenly announced his resignation as Posco was preparing to offer shares to the public for the first time. Whoever is selected to replace Mr Park Tae-joon (left) will

ing his reputation as one of South Korea's best corporate leaders. Page 19

Compaq to lay off 10% of staff

Compaq Computer announced it will lay off about 10 per cent of its worldwide workforce, or 1,000 staff. The lay-offs come in spite of record revenues and unit shipments in the

Inscrutable Germans

There are times when watching the German central bank "makes the ancient art of Kremlinology look like child's play", according to one observer of the Bundesbank. Page 20

Acquisitions boost Bowthorpe Bowthorpe, the international electronic and electrical components group, reported a 5.3 per cent rise in interim pre-tax profits, buoyed by acquisitions in the UK and improved sales penetration in the US. Page 21

Market Statistics

Base lending rates Benchmark Govt bonds FT-A indices

Liffe equity options London tradit, options Managed fund service Money markets New int, bond issues World commodity prices World stock mixt indices UK dividends announced

Companies in this issue

Canal Plus Capita Charles Schwab Chepstow Racecourse
Ciments Français
Clarkson (Horace)
Compaq Computer
Courtyard Leisure
Daido Steel Dow Jones Fannie Mae Galiilord

Hongkong Land Ibstock Johnsen Indian Petrochemical KIO Kinetic Honda Motor l. Oreal McDonnell Douglas News Corporation Nordic Invest, Bank Orkla Perstorp Posco Prima inmobiliaria Royal Insurance SKF Schnelder Sun Alliance 18 Tilbury Douglas 18 Town Centre Secs 22 Trafalgar House Trans World Airlines

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losses may stem from share deals

By Haig Simonian in Milan and Affice Rawsthorn in Parts

THE off-balance sheet losses suffered by Ciments Français of France, the French cement maker being taken over by Italy's Italcementi group, are thought to have stemmed from agreements to repurchase shares in the com-pany's foreign subsidiaries.

Details are not available about the size, timing or location of the transactions. However, they are believed to have taken place after the French group's recent international expansion.

On Wednesday Ciments Francais admitted to losses on off-balance sheet financial dealing. Mr Pierre Conso resigned as chairman following an emergency board meeting.

The transactions, thought to have been known to a very small group of managers, involved selling shares in mostly foreign subsidiaries for cash, subject to an agreement to repurchase them later. The arrangements were made with a variety of third parties, including banks.

Italcementi announced the surprise acquisition of a 34 per cent stake in Ciments Français last April in a deal lauded in Italy after a string of unsuccessful cross-border takeover attempts by other Italian groups.

By Alice Rawsthorn in Paris

BANQUE Nationale de Paris

(BNP) yesterday added to the stream of disappointing interim

results from France's big banks by announcing a fall in first-half

BNP, like other French banks,

was affected in the first half by

the economic slowdown and by

the need to raise provisions.

mainly because of the depressed

state of the French property mar-

ket. As a result its net profits fell

13.4 per cent to FFr1.33bn (\$271m)

in the first six months of this

year, from FFrL54bn in the same period of 1991.

Mr René Thomas, who was this

summer reappointed as the state-

controlled bank's chairman in

spite of approaching the manda-tory retirement age, said banking

had become "a dangerous busi-

ness" in the current uncertain

which BNP is the third largest,

has become increasingly competi-

tive in recent years. This is

partly because the market is

over-crowded and partly because

the relatively high level of

French interest rates in the late

1980s and early 1990s has damped

demand for consumer and corpo-

By Roland Rudd and Andrew

HONGKONG Land is expected to fall far short of the 29.9 per cent

stake it hoped to acquire in

Trafalgar House, the property,

construction and engineering

group, when it announces the

result of its tender offer later

Four of Trafalgar's biggest

institutional shareholders yester-

day said they had decided not to

sell any more shares; a further

two said they were unlikely to

sell: while one confirmed that it

Hongkong Land, one of the col-

ony's leading property invest-

ment and development compa-

nies, has acquired 14.9 per cent of

Trafalgar and is tendering for

another 15 per cent. It has until

4.30pm today to increase its stake

Trafalgar's ordinary and A

shares yesterday closed at 86%p

and 83%p respectively - above

Hongkong Land's offer price of

85p per ordinary share and 82p

The group yesterday said that its board would discuss the suc-

cession to Sir Nigel Broackes, per cent barrier. chairman, and Sir Eric Parker, Lex, Page 16

sold its stake last week.

to 29.9 per cent.

per A share.

Taylor in London

today.

BNP has been in the vanguard

Hongkong Land set

stake in Trafalgar

to fall short of target

The French banking sector, in

BNP provisions

force first-half

result down 13.4%

gramme.

comed the continuing international expansion of Italcementi. many were unhappy about the terms of a linked rights and convertible bond issue to finance the transaction, while a share placing by Ciments Français in July was poorly received in the French market.

Ciments Français, which is the subject of a "due diligence" examination by KPMG, the international accounting and consulting group employed by Ital cementi, is believed to have used both the cash and interest from the repurchase arrangements.

The French group is reviewing its accounts for the first half of the year following disclosure of the losses. Having expected to publish its interim results almost two weeks ago, it will not now release official first half figures until next month at the earliest.

The board is expected to examine outline results when it meets later this month. Ciments Français, which earlier this week postponed an analysts' meeting, said the situation was still uncertain and it could not give a definite date as to when the interim results - showing the full extent of the off-balance sheet losses would be available. World stock markets,

of the attempts by French banks

to try to improve their competi-

tiveness by cutting costs. It man-

aged to contain the increase in its own overheads to just 1.9 per

cent in the first half - with

the first six months of 1991 -

thanks to its cost control pro-

The increase in BNP's costs

was below both France's annual

inflation rate - at around 3 per

cent - and its 3.3 per cent

increase in first-half net banking

income to FFr19.48bn from

FFr18.86bn. As a result operating

profits rose 6.8 per cent to FFr5.61bn from FFr5.25bn.

to raise provisions by 13.6 per

cent to FFr4.11bn from FFr3.62bn

CLF recently announced a 6

chief executive, soon after the

discussed possible replacements, Trafalgar confirmed that Mr

Allan Gormly, head of the group's engineering division, is

the favourite to replace Sir Eric

The move is designed to assure

shareholders that the group's

strategy and management was

already changing before Hong-kong Land launched its attempt

to control 29.9 per cent of the

In a circular to shareholders

earlier this week, Sir Nigel said

the group has been "considering

for some time management suc-

cession plans for senior positions

This would be in addition to

The performance of Sir Nigel

One shareholder said it

believed that Hongkong Land

was hoping to get at least

another 5.1 per cent of the stock

to get it over the psychological 20

the appointment of extra non-ex-

and Sir Eric has recently been

criticised by some of the group's

institutional shareholders.

as chief executive.

in the company".

ecutive directors.

While the board has not yet

close of today's tender offer.

However, BNP was also forced

ainst FFT13.61bn in

Ciments Français Nikki Tait and Michael Skapinker on the worldwide effects of a startling decision by the US hotel operating giant ew companies have better illustrated the change from 1980s riches to 1990s rags than Marriott Corporation,

one of the largest US hotel opera-For much of the 1980s, the group powered ahead, posting annual earnings gains that were usually in the high teens and

sometimes more than 20 per cent.

However last year the group made an after-tax profit of only \$82m compared with more than \$232m in 1988.

Marriott's announcement this week that it is splitting its hotel management operations and property assets into two separately quoted companies is an attempt to find a way to expand in straitened times. It has implications for hotel companies worldwide.

In the US, hotel companies have traditionally found investors to buy properties which the hoteliers could then run. In Europe, hotel groups have tended to own or lease properties them-selves. The downturn in the US and UK property markets and tax changes in the US have made both strategies less attractive.

During the 1980s, Marriott effectively became a property development company, building hotels, then recovering its investment by selling these to limited partnerships which used the start-up losses as a tax write-off. Marriott retained operating con-trol of the new hotel assets.

Today, the group operates more than 700 hotels or motels, from luxury properties to the budget Fairfield Inn chain. That compares with less than 100 properties in the early 1980s.

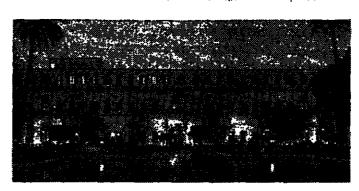
Unfortunately for Marriott, a change in US tax law curtailed the use of such development financing methods in the late 1980s. Then as the decade turned, the times halted decisively when the US property market collapsed. Marriott shares slumped from more than \$40 in 1989, to less than \$9 in 1990. At one stage, a serious financial threat overshadowed the group. Since then, Marriott has strug-

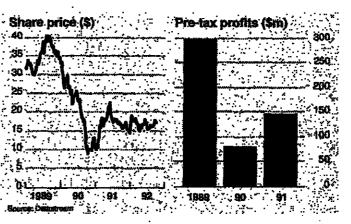
gled to become a more conservative company in the face of a hotel market laden with overcapacity. The company suspended new hotel building in 1990 and shed non-core assets line catering and its fast food and restaurants business. Marriott's rebirth has not been

made easier by the dearth of buyers for hotel property assets; by a long-term debt burden which still amounts to almost \$3bn; nor by the general economic recession which has curtailed business travel and holiday spending and has led to cut throat competition in the travel industry.

Against this background, it is easy to understand why Wall Street should have welcomed the

Marriott acts smart to grow in lean times





demerger plan, marking the shares almost 9 per cent higher. In essence, the scheme will place the \$3bn long-term debt, most of

International, with pro forma sales of \$7.4bn last year and oper-

Some hotel groups believe the way ahead is to find franchisees willing to use their brands and pay tranchise fees

the property assets, and the ating cash flow of nearly \$500m, group's airport and toll road conshould be well placed to expand. cessions in one quoted company, Host Marriott. A second, separate company - called Marriott Inter-national - will contain the hotel management operations.

In the short term, the latter is clearly a more attractive creature. Marriott argues that there are "properties available for man-

A lightly leveraged business with solid profits, it should have fairly easy access to credit markets if it needs to raise more capital. As Ms Margo Vignola at Salomon Brothers in New York says: "In this way, Marriott International could take advantage of domestic and global opportunities without

the hobbling overhang of real estate and its cost." The difficulty is that if hotel groups do not wish to buy property them-selves, they need to find someone else who will do so and award them the contract to run the

establishments.
Mr Paul Slattery of Kleinwort
Benson in London says: "I can't
identify at the moment any significant appetite for people to own the properties. I can't tell you of any major institution that wants to go into hotel owner-

Hotel groups refuse to accept that the situation is so dire. Mr Michael Hirst, chairman of Hilton International, owned by Ladbroke of the UK, says hotels, which still have a reasonable level of occupancy, are a better bet for property investors than office blocks, which are standing empty, or shopping malls.

Mr Hirst says Hilton believes there is scope to expand through a variety of means. "We adopt a very flexible approach," he says. Of its 157 hotels, 92 are wholly owned or leased. It has contracts to operate 50 hotels on behalf of owners. In the case of 15 hotels Hilton has partial ownership. Mr Hirst says: "There are management contracts available in Europe if you're prepared to take some equity investment."

ate last year Hilton bought the Dom Hotel in east Ber-lin, now the Berlin Hilton. A month later, it sold a 60 per cent stake to an unnamed buyer and retained the management contract. Hilton has acquired long-term leases on hotels in Weimar and Dresden, offering the owners payments, tied to business performance, in addition to the rent.

Mr Slattery says US-owned hotel companies will find the idea of taking even partial stakes in the properties they manage unattractive, because of less favourable US tax regulations.

Some hotel groups believe the way ahead is to find franchisees willing to use their brands and pay franchise fees without demanding property investment. Marriott this year-saw its name on 15 UK hotels thanks to a franchise agreement with Scott's Hospitality, a Canadian company, hich owns and mana

Holiday Inn, owned by Bass of the UK, says 85 per cent of the 1,700 hotels that bear its name are run by franchisees. Mr Hamish Swan, vice-chairman, says that persuading hotels to conclude franchise agreements will be its primary route to European growth. There are, he argues, a large number of privately held or family owned European hotels that would want to adopt an internationally known brand and worldwide reservation system.

because of the impact of the eco-nomic slowdown on its property Murdoch in holdings and its corporate loans. Mr Thomas warned that the situation was unlikely to improve in joint venture the second half. • Local de France (CLF), the French bank which last autumn became the first candidate for the to develop government's partial privatisa-TV services tion programme, expects to increase net profits by up to 10 per cent this year, according to Mr Pierre Richard, chairman.

By Raymond Snoddy In London

MR RUPERT MURDOCH, chairman of News Corporation, the media group, and Mr Andre Rousselet, chairman of Canal Plus, the French pay television service, are setting up a partnership to develop new television services across Europe. The 50-50 partnership between

Europe's two largest subscription television companies is designed to take advantage of future technologies in satellite transmission, digital compression and encryption".

Engineers are increasingly optimistic that digital compression can be used to squeeze up to four television channels into the space now occupied by one. Encryption, or scrambling, of the television picture can be used to run pay-per-view services charging to view a film or sporting event.

A working group of senior executives of the two companies has been set up to work out an agreement on programming, technology and strategy.

In each European country, including the UK, the aim would be link up with a large local company to distribute any new services created.

Canal Plus claims a total of 4.5m subscribers to its pay television channels in France. Germany, Spain, Belgium and western Africa. • Cable News Network and

Financial Times Television said yesterday that from the end of this year they would no longer jointly produce World Business Today. FT-TV, which will continue making a range of business programmes, apparently wanted a five-year deal with CNN, but the US company did not.

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PRIVATISATION OF LIAT (1974) LTD.

LIAT (1974) Ltd. (LIAT) is a regionally owned airline which was incorporated under the Companies Act of Antigua in September 1974. The airline's shares are held by eleven (II) regional governments in various proportions.

At the present time, LIAT provides scheduled services to 27 destinations, including Guyana and Caracas. Venezuela in the south and as far north as the Dominican Republic, with a fleet of four (4) British Aerospace (BAe) 748s (44-seat), eight (8) de Havilland (37 seat) Dash 8 - 100s (DH8-100), six (6) de Havilland (19-seat) Twin Otters and two (2) BN2 Islanders. The Corporation is beadquartered in Antigua where the DH8-100s are based and the 748s are positioned at Barbados. LIAT provides vital air links between the small islands and plays an important role as a feeder airline to the

The Shareholder governments of LIAT have agreed that the airline should be privatised within the framework of a majority shareholding held diffusely in the Caribbean, A minimum of ten percent (10%) of the shares will be retained by the shareholder governments. Airline/investor groups interested in acquiring a shareholding in LIAT are invited to indicate the nature of their interest to the President of the Caribbean Development Bank (CDB), copied to the Prime Minister of St. Vincent and the Grenadines at the addresses listed below.

Investor responses should include the following information:

(a) Profile of the airline/investor group, including information on, chief executives and/or principals and a description of their main activities; and

(b) Recently audited financial statements of the airline/investor groups or companies and their banking relationships and credit history.

The responses submitted will be evaluated after which a shortlist of airline/investor groups will be invited to submit detailed proposals for equity participation. CDB shall not be bound to assign any reasons for not selecting any airline/investor group and will not defray any cost incurred in the submission of responses.

Responses are to be submitted by 3 p.m. on October 14,1992 to:

(1) The President The Caribbean Development Bank P.O. Box 408 Wildey St. Michael BARBADOS. Pax No. (809) 426-7269

(2) The Prime Minster of St. Vincent & the Grenadines Prime Minister's Office ST. VINCENT AND THE GRENADINES Fax No. (809) 457-2152

KIO to write off Spanish property investments

By Tom Burns in Madrid

THE Kuwait Investment Office (KIO) is to write-off its property investments in Spain and ask creditor banks to take over its 34 per cent stake in Prima Inmobiliaria, the domestic property developer, as payment for its debts.

This will fuel the controversy that has surrounded the KIO in Spain since last July when Ercros, its Spanish domestic chemicals arm, went into receivership. The KIO has earlier changed and stopped the flow of funds to Spanish

A spokesman for Grupo Torras, the KIO's holding com-pany in Spain, said yesterday: We cannot make Prima viable in the present environment". He said Torras would offer the banks its shareholding for a symbolic one peseta and ask them to take over the running Prima's debts with some 60

(\$555m), according to Torras, and more than half of it is secured against properties owned by the developer. In early August, the KIO, which had temporarily ceased paying interest on the Prima debt, resumed payments under a two-month moratorium plan. An initial angry reaction to the KIO's write-off came from

creditor banks total Pta57bn

the state-owned Argentaria banking group, which has Ptal.6bn of outstanding credit with Prima. An Argentaria spokesman said: "We are not interested in a debt-for-equity swap. We want to realise our loan and Prima's chief shareholder has sufficient funds to

The KIO said two weeks ago it would pump \$1bn into its Spanish assets and convert \$1.4bn of the Torras holding company debt into capital but it did not include Prima as a recipient of the new

The KIO said the Torras Papel paper group would receive \$400m as part of a rescue plan and it is thought that further funds could be made available to Ercros. whose troubled fertilises business the KIO hopes to sell to Freeport McMoRan of the

Prima's collapse has been triggered by its huge investment in two skyscraper blocks in Madrid. Some \$500m of the debt has been incurred by this project, due to be completed by the end of1993. The Torras spokesman said

the property values in the area

surrounding the twin towers had fallen so steeply that they now represented half of what it had cost to build them. The row that is now brewing between Prima and its creditors will focus on the

depressed value of the assets but it is also likely to include the extent of the KiO's stake in the property developer.

> dère and controlled by his family. Hachette yesterday said its sources suggested Havas had been buying the shares.

at just FFr115.7.

Hachette

Havas of

share move

By Alica Rawsthorn in Paris

HACHETTE, the heavily-

indebted French media group,

has accused Havas, one of its

strongest competitors in the

French media market, of hav-

ing secretly bought up a size-able block of its shares.

Since the start of this week

Hachette's shares have risen

sharply. The shares yesterday

rose by FFr16.8 to FFr158.7. a

leap of 11.8 per cent on the day. This followed brisk deal-

ing on Tuesday and Wednes-

day when 615,800 shares were

traded representing 3.1 per cent of the company. Hach-ette's shares started the week

Initially the rise in Hach-

ette's share price was attri-

buted to market speculation

ahead of the announcement of

the financial terms for its pro-

posed merger with Matra, the

defence electronics concern which, like Hachette, is

chaired by Mr Jean-Luc Lagar-

accuses

Hachette made a net loss of FFr1.93bn in 1991. But the company is effectively bidproof given that Marlis, which s controlled by the Lagardère family, holds 51.3 per cent of its equity and 69.4 per cent of its voting shares.

Danish banks downgraded

By Hilary Barnes in Copenhagen

MOODY'S the US rating agency, downgraded the long-term credit rating of two Danish banks yesterday and put the rating for Den Danske Bank, under review. The rating for Unibank was

sales fell 1 per cent. reduced from A2 to Aa3 for The group said weak market long-term deposits and from A2rto Baal for floating-rate conditions were partly to blame for the fall in profits. subordinated debt. Baltica But it added that increased Bank's rating went down from depreciation, following an Baal to Baa3 and for Euro aggressive investment procommercial paper from Prime gramme, and low profitability 2 to Prime 3. some of the companies it

SKF to sell stake in CTT Tools

SKF, the Swedish roller bearing group, has reached preliminary agreement to sell an 80 per cent stake in CTT Tools, the world's leading supplier of high-speed steel cutting tools, to Sandvik Coromant

Terms for the deal have not been finalised, but analysts suggest CTT as a whole is worth some SKrl.2bn (\$220m). The acquisition would

complement Sandvik Cormorant's operations in cemented carbide tools, giving

the group an estimated 13 per cent share of the cutting tools

Sandvik Cormorant president, said the acquisition would allow the group to offer clients a broader product range and achieve physical distribution synergies.

Sandvik may also seek to buy the minority 20 per cent stake in CTT held by Germany's Guenther, although discussions have not started. SKF said it was seeking to sell its CTT stake because it wanted to concentrate on its core roller bearing activities. But analysts also suggest the group's balance sheet is under pressure following its purchase

of the special steels company Long-term loans climbed to SKr4.4bn at the start of the

Frankfurt-based CTT has 3,900 employees, with operations spread across 24 companies in 11 countries. It manufactures and markets cutting tools such as twist drills, taps, dies and milling tools.

Last year, CTT achieved sales of SKr1.9bn and had a loss after financial items of SKr103m. In the first half, the operation incurred a SKr30m

Sandvik Cormorant, part of the Sandvik Group, achieved sales of SKr4.9bn last year. • Nordic Investment Bank has posted profits at eight SKr32m (\$5.87m) from SKr25.4m in the same period in

The performance of the Helsinki-based bank, owned by the five Nordic countries. stands in sharp contrast to the results of most other major banks in the region, which have been ravaged by high

The bank made a charge of \$ only SKrim in the latest eight months in respect of anticipated loan losses.

Mr Jannik Lindback, president, said: "We don't see any immediate risk of credit losses in our portfolio, mainly because of our conservative

UK insurers merge non-life Australian arms

By Kevin Brown in Sydney and Richard Lapper in London

SUN Alliance and Royal Insurance, two of the UK's biggest composite (general and life) insurers are to merge their non-life insurance operations in Australia.

The merged company, which will be 60 per cent owned by Sun Alliance, will be the fourth-largest general insurer in Australia, with premium income of more than A\$500m (US\$357m) and a market share of more than 6 per cent.

Sun Alliance, the larger of the two, was previously ranked number 11 among gen-

eral insurers. The merger follows the acquisition of Australian Eagle by QBE Insurance, the purchase of 75 per cent of GRE by Zurich Australian, and the merger of the recently-privatised New South Wales GIO with the Melbourne-based SIO, owned by the state government of Victoria.

L'Oréal confident of continuing advance

By Alice Rawsthorn in Paris

L'OREAL, the French company which is the world's largest cosmetics group, yesterday announced that it had continued its profits growth during the first half of the

The company - with brands such as Lancôme, Ambre Solaire and Giorgio Armani perfume - saw pre-tax profits rise by 16 per cent to FFr2.2bn (\$456m) in the first six months of this year. It said it anticinated further profits growth at a similar rate during the sec-

L'Oréal, which has recently been building up its interests in pharmaceuticals to complement its existing business in cosmetics, hair care and fragrances, saw sales rise by 15.8 per cent to FFr19.9bn during the interim period.

The group's sales increased at the slightly slower pace of 10.4 per cent on a strictly comparable basis. L'Oréal said yesterday that its first-half sales

had been inflated by the recent acquisition of two laboratories. Delagrange and Delalande, by its Synthélabo pharmaceuticals

Although L'Oréal was confident that it would be able to maintain profits growth at its present level in the second half, it said that the increase in sales might be slightly slower. One of the main planks of

L'Oréal's expansion strategy in the 1980s was to move into more upmarket product areas. L'Oréal two years ago took a 50 per cent stake in Orcofi, a consortium of luxury goods companies which is run as a joint venture with the Recamier family.

Orcofi next week is staging a lavish relaunch for Lanvin, the Paris fashion house intended to be the linchpin of its portfolio. Lanvin, which is being relaunched at a time when the global luxury goods market is under enormous pressure, has so far produced sizeable losses for the Orcofi partners, includ-

Charge pushes Orkla into loss

of state administrators in

By Karen Fossii in Oslo

ORKLA, the Norwegian diversified foods group, reported a swing into loss of NKr161m (\$27.4m) in the first eight months of this year from a NKr472m profit last year, due to a NKr874m charge against accounts on the group's securities portfolio.

A charge of NKr228m represents a special write-down on its stake in Uni Storebrand, Norway's biggest insurer which collapsed into the hands

By Christopher Brown-Humes

PERSTORP, the Swedish

speciality chemicals and plas-

tics group, said yesterday that

pre-tax profits fell 26 per cent

to SKr225m (\$41.3m) in its

financial year to August 31 from SKr305m in the previous

Group sales rose 8 per cent

to SKr7.33bn from SKr6.77bn,

but this was due to acquisi-

tions. Excluding acquisitions,

12 months.

At the end of August the market value of the group's securities portfolio was NKr3.432bn, representing a 14.7

per cent decline since the end

of last year. Group operating profit increased to NKr759m from NKr530m last year, helped nue. Profits from associated companies rose to NKr85m

Weak markets contribute

to Perstorp's 26% decline

by a NKr650m advance to NKr10.99bn in operating revefrom NKr20m.

had bought, were also signifi-

Despite the acquisitions, the

group's financial position

remained strong, with the

year-end equity ratio amount-

ing to 44 per cent. Rationalisa-

tion measures continued, cut-

ting the workforce by 5 per

cent over the year.
Profit per share fell to

SKr7.60 from SKr8.40. The divi-

dend, after adjustment for a

bonus issue, is unchanged at

The group is waiting for Ital-

ian government approval for

its proposed co-operation with Italy's EniChem in the field of

industrial grade laminates. The

political situation in Italy has

considerably delayed final

approval, Perstorp stated.

SKr4.55 per share

cant factors.

The group's branded consumer goods division lifted operating profit by 46 per cent to NKr627m from NKr429m in last year's comparative period. despite a stagnation in domestic markets growth.

The chemical processing division nearly doubled operating profit to MKr118m from NKr64m, but the improvement was helped by the disposal of a 50 per cent stake in a vanillin plant for which it gave no further

Schneider hit by Square D costs

By Alice Rawsthorn in Paris SCHNEIDER, one of France's

largest electrical engineering and construction groups, was hit by the integration of Square D, the US construction subsidiary, in the first half. Schneider, which was also affected by the pressure on the French industrial and construction sectors, saw net profits fall to FFr193m (\$40.37m) in the first half of 1992 from FFr302m in the same period in

It managed to increase sales by 13.6 per cent to FFr29.4bn from FFr25.9bn between the two first halves. However, the increase in financing costs which followed the Square D acquisition, triggered a fall in net profits.

Bergesen posts deficit of NKr32m

By Karen Fossii

BERGESEN, Norway's biggest shipping group, plunged into an eight-month pre-tax loss of NKr32m (\$5.44m) from a NKr816m profit in the same period last year, and warned of weakness for the remainder of the year. The result was worse than analysts' forecasts. Bergesen was forced in take

a NKr141m loss on its share portfolio due to investments in Den norske Bank, Norway's biggest bank, and Uni Store-brand, the country's biggest insurer which collapsed into the hands of state administrators in August.

The group wrote down the value of DnB's shares to NKr2.50 each but the shares have been trading on the Oslo bourse at under NKr1.50. At the start of the year the

book value of Bergesen's share portfolio was NKr952m but increased to NKr1.05bn by end-August due to investments. However, the market value of the portfolio fell by NKr410m to NKr1.08bn by end-August. Operating profit for shipping plunged to NKr60m from NKr663m while group operating profit fell to NKr61m from NKr679m.

Group operating revenue dropped NKr516m to NKr1.62bm as expenses in the eight-month period rose NKr45m to NKr1.22bn.

This announcement appears as a matter of record only

Chilean Northern Mines Limited

part of the

Antofagasta Holdings Group

has acquired minority interests in

Compania Minera Lince Limitada

from

Outokumpu Copper Resources B.V.

approximately US\$36 million in cash

This acquisition gives the Antofagasta Holdings Group control of 99.985 per cent. of Compania Minera Lince Limitada

October 1992

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INTERIM REPORT



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The Interim Report of the Eurotunnel Group of com-panies to 30 June 1992 was published on 5 October 1992. Copies have been sent to holders of units and nts in registered form and to those holders of warrants in registered form and to mose notices of units and/or warrants in bearer form who requested copies of the last Annual Report published in May 1992. Copies of the Interim Report in English and French will be available from 13 October from any Le Rapport Semestriel du Groupe Eurotusmel au 30 juin 1992 a été publié le 5 octobre 1992. Une copie de ce Rapport a été envoyée à chaque actionnaire nominatif, ainsi qu'aux titulaires d'unités et/ou bons de souscription au porteur qui avaient demandé une copie du Rapport Annuel publié en mai 1992. Les copies du Rapport Semestriel en anglais et français peuvent être obtenues auprès des organismes suivants à partir du 13 octobre 1992:

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SWEDEN

The FT proposes to pullish this survey on November 10 1992. uld you be interested in acquiring more informa-tion about this survey or how to advertise please

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FT SURVEYS

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INTERNATIONAL COMPANIES AND FINANCE

Compaq slims down for PC market war

By Louise Kehoe in San Francisco

The performance of the period of the period

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RGESEN, Moreovita pping group, physical cyclic month proof. 132m. (85.44m) in 1816m. profit in in-

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Karen Possii

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THE PRICE war in the personal computer market has claimed 1,000 victims at Compaq Computer, which yester-day announced it would lay off about 10 per cent of its work force worldwide.

Compag also said it would take about \$85m in restructuring and other special charges in the third quarter to cover severance costs, writedowns and a loss on the early retirement of long-term debt.

The charges will be offset by a gain of around \$86m on the sale of stock Compaq held in Conner Peripherals, a manu-facturer of computer disk drives and a Compaq supplier. The layoffs come despite

record revenues and unit shipments in the third quarter just ended, Compaq said. The company said operating earnings for the third quarter were "comfortably above sec-ond-quarter 1992 levels", when Compaq earned \$29m, or 35 cents per share. Compaq lost \$70m, or 82 cents, in the third

After the loss a year ago,

The latest cuts are being made "in anticipation of a continuing intensely-competitive market environment", Mr Pfeiffer said.

PC prices, which have dropped about 30 per cent in the US this year, are continuing to fall and the momentum of the price war is picking up in Europe and other markets. Compaq's share price rose sharply to \$35% at midday yesterday, up from Wednesday's close of \$33%. James Buxton, Scottish Corre-

Compaq's board ousted Mr Rod

Canion, co-founder, and pro-

moted Mr Eckhard Pfeiffer to

president and chief executive.

Compaq also laid off 1,400

spondent, adds: In Europe, Compaq will close its plant at Stirling in Scotland and concentrate all European manufacturing operations at its main plant at Erskine, near

Up to 100 employees who work in management, profes-sional, engineering and administrative functions will lose their jobs, reducing the Scottish manufacturing payroll to

Retail sector paints a brighter picture

By Nikki Tak in New York

SHARES in most of the leading US retail groups rose yesterday after the retail sector painted a brighter sales picture for Sep-

The figures, showing presentable same-store sales gains at most major retailers last month after relatively drab figures for much of the summer, suggested there may be a modest improvement in consumer

confidence However, industry participants also cautioned that the relatively late date for Labor Day pushed some "back-toschool" spending from August

Among the big department -store groups, Dayton Hudson -- which takes in the Marshall Fields chain as well as the Target discount retail operation sales from stores which had the year to \$33.5bn, up 26 per been open for a year or more. cent on the same period of

Stores group - incorporating the likes of Bloomingdale's and The Bon Marche - posted a 6.6 per cent improvement in same-

Neiman Marcus registered a 3.3 per cent advance in samestore sales, and J. C. Penney a 14.4 per cent gain from main-

At Sears, Roebuck, there was a 5.3 per cent advance in comparable domestic store sales with major appliances, home office equipment, clothing and hardware doing well, but car products and services still lagging the previous year, At Woolworth, same-store

sales in the US were up by 5.5 Wal-Mart_Stores - the nation's largest retailer in sales terms - posted a strong 12 per cent advance in samestore sales, bringing total sales for the first (

The Federated Department 1991. **Daido Steel forecasts** sharp first-half reverse

By Robert Thomson in Tokyo

DAIDO Steel, a leading Japanese supplier of steel to the car industry, expects to report a 56 per cent fall to Y2.5bn (\$20.83m) in pre-tax profit for the first half, following the rapid decline in domestic passenger car

cialty steels, forecast sales of Y130bn for the six months to the end of September, down from Y150.7bn in the same period last year, due partly to pressure from leading customers for discounts. The Japanese steel industry has just applied to the govern-

The company, strong in spe-

ment for assistance in

"employment adjustment", the transfer and retraining of idle

Steelmakers generally blame the weak demand on falling orders from important customers such as the construction and car industries. Daido is particularly vulnerable because about 60 per cent of its orders are from car-

For the full year, Daido expects a pre-tax profit of Y5bn, down from Y10.2bn last year, on sales of Y260bn, compared to Y299bn. The company had previously forecast a pretax profit of Y7bn and sales of

Wall Street Journal boosts **Dow Jones**

By Alan Friedman In New York

IMPROVED advertising and circulation at The Wall Street Journal have helped Dow es, the newspaper's owner, to achieve a 31.7 per cent rise in third-quarter net profits. Dow Jones said it also ben-

efited from lower interest expenses and higher earnings at Ottaway Newspapers, a regional newspaper division. It reported \$21.09m thirdquarter net profits, against \$16m a year ago. Earnings per share were 21 cents, up from

16 cents last time. Group operating income was 22.7 per cent higher at \$54m. Third-quarter revenues were \$438.1m, up from \$409.5m last

Revenues for the first nine months of 1992 were \$1.34bn, against \$1.27bn while net income was \$92.94m, a 35.3 per cent improvement year-onyear. Earnings per share advanced to 92 cents, compared with 68 cents in the first nine months of 1991.

Dow Jones said its business publications division achieved more than doubled operating income of \$13.7m in the third quarter of 1992. Revenues in the division were 6.6 per cent higher at \$175.7m.

Advertising lineage at The Wall Street Journal rose by 6.4 per cent in the third quarter and by 7.3 per cent in the first nine months.

The information services business, which includes Dow Jones/Telerate and Business Information Services, reported "a slight increase" in thirdquarter operating income, to \$36.64m. Revenues were 8.3 per cent better at \$203.54m. On Wall Street, where

shares in Dow Jones traded lightly, the price was marked \$% lower to \$27%.

TWA does better but still in red

By Nikki Tait in New York

TRANS World Airlines, the heavily-indebted carrier owned by Mr Carl Icahn, remained in the red during

The operating deficit was slightly larger, at \$7.49m, although this was a considerable improvement on the \$28.7m which the carrier lost

in the previous month. Operating revenues increased from \$332.9m to \$354.3m. TWA's reported after-tax losses in the year to date stand at just over \$86m, but this figure partly reflects proceeds from asset sales.

The airline has reached agreements with its three unions under which employees would make salary concessions in return for receiving a 45 per cent equity stake in the carrier. Creditors would get the remaining 55 per cent. However, the reorganisation scheme still depends on agree-

the Pension Benefit Guaranty Corporation, over the carrier's pensions funding, and a financing commitment from Mr Icahn, or other parties, to the reorganised business.

Discount brokers take a beating in US

Patrick Harverson on how the decline in investor activity has affected margins

HE perils of discount broking were brought painfully home to US investors last month when the share price of Charles Schwab. the country's biggest discount broker, plunged more than 20 per cent.

The plunge followed a warning that the company's thirdquarter profits would be much lower than expected because of a sharp drop in customer trad-

Although the warning surprised investors, it should not have come as a shock to anyone who understands discount broking - a business more closely tied to market cycles than almost any other. In the past decade, the San Francisco-based Schwab has

become the biggest discount broker in the US by allowing individual investors to buy and sell shares cheaply and quickly, and by providing them with information and research they can use to make investment decisions. Unlike other "full-service" brokers, such as Merrill Lynch and Shearson Lehman, Schwab does not advise its customers where to

When the market is booming, and investors are trading in and out of stocks constantly. discount broking is a very profitable business. But, when the market slumps, as it has done recently, the revenues of a firm reiving on trading volume to generate the bulk of its income

This is what happened to Schwab in the third quarter, when daily transactions by its customers averaged 18,000, well below the peak of 27,000 recorded in the first quarter and the 22,000 in the second quarter. Although 18,000 trades a day is still a good year for Schwab, the company's expenses over the past year have risen 15 per cent because of heavy spending on advertising, branch expansion and the introduction of new products and services.

To make matters worse. Schwab's profits in the third quarter were also hit by the recent introduction of low-margin products, such as no-fee individual retirement accounts, which were designed to boost the firm's share of the discount broking market.

The end result is that Schwab is expected to make a profit in the third quarter of between 15 cents and 18 cents a share, compared with the 34 cents a share it earned a year

When market cycles move against full-service brokers. they can turn to fee-based revenues from corporate finance and asset management to make up the shortfall. Schwab, however, does little

trading for its own account. and its asset management business is still very small, albeit growing. At the moment, commission fees account for a remarkable 80 per cent of the company's non-interest reve-

Schwab has learned to live with the market swings, says Mr David Pottruck, the company's president: "We will always have volatile revenues because we work in a volatile business." It is a point forcefully echoed by Mr John Keefe, an independent securities industry analyst in New York: They're a brokerage firm, and its tough to get away from

Charles Schwab Assets in customer Average daily trade accounte (Sbillion) volume (thousands)

Instead of worrying about customer activity, Schwab conamount of dollars in its custody. "Our growth is a function of how many customers we have... The more money

89 90 91 92

that's here, the more money that trades," says Mr Pottruck. In the past few years, the amount of money at Schwab has grown dramatically. As of June, \$54.3bn was held in 1.8m customer accounts - thanks primarily to heavy advertising and some astute marketing. The firm recently opened an office in San Francisco staffed by Chinese-speakers to serve the city's Asian community, and one in Miami with Spanish-speakers to build business among the Hispanic commu-

Schwab also relies heavily on technology to reduce the costs of handling its dollars. Mr Pottruck says: "Years ago, all of our trading was done by people sitting in branches. Today, 50 per cent of our phone calls go to TeleBroker," a service that allows customers to buy and sell stocks on their

Although Schwab is building

up its asset management bus

ness to protect itself against market-related earnings vola-

tility, the company is treading

cautiously. "We're not looking

to become money managers,

however, is linking up with the money

managers through its Finan-cial Advisors Service.

Launched in 1987, FAS pro-

vides investors with lists of

independent investment advis-

ers who work solely for fee. In

return, the advisers route

transactions and account servi-

cing to Schwab, which earns

commissions on the business.

Today, almost 3,000 advisers

and money managers use the

programme, and assets held by Schwab for its 100,000 FAS cli-

Although it is dwarfed in

size by the full-service giants,

Schwab is easily the biggest

discount broker, with a 46 per

cent share of the market. It is a

market that is expanding. In

1985, discounters earned 6 per

cent of all broking commis-

ents total more than \$10bn.

hat Schwab is doing.

says Mr Pottruck.

The full-service brokers claim not to be overly concerned about this loss of business. Some even argue that discount brokers are sowing the seeds of their own decline by remaining reliant on revenues tied to investor activity.

sions in the US, but today they

earn 11 per cent.

One leading executive at full-service securities house says: "Schwab are in a commodity business that has no value-added component to it and that is very cyclical in terms of order-flows. Schwab are getting themselves into a problem position.

'They're neither fish nor fowl - there are lots of discounters around where you can do trade for a lot cheaper than they can, so they don't offer the lowest price and they don't offer the most service. It creates a what-do-you-want-tobe-when-you-grow-up syn-

While it is true that other discount brokers, such as Fidelity, Olde, and Quick & Reilly, charge lower transaction fees. Schwab has built up a good reputation among individual investors for high quality execution and account ser-

It believes strongly that demographic trends are going

Mr Pottruck maintains that the baby-boom generation, which each year takes up a larger proportion of the investing population, is becoming increasingly wary of the tradi-tional client-broker relationship, and of the potential conflicts between the retail broking and institutional interests within the big full-service

McDonnell Douglas in novel health deal

By Martin Dickson

McDONNELL DOUGLAS, the financially-stretched US aerospace group, yesterday came up with an innovative means of protecting its balance sheet from the impact of new accounting rules for retirees'

health benefits. However, the complex-scheme, which involves workers who do not belong to a union, may cause anxiety It involves the replacement of company-funded health care coverage with a scheme funded by the retirees themselves. -

though much of the cost will be met by a special trust fund set up by the company.

The special trust will draw on a surplus in the company's pension fund, estimated at \$2.2bn in December 1991. All US companies face large

non-cash write-offs over the next year as they adopt Standard Financial Accounting Statement 106, which requires them to show their future health care obligations to retirees, rather than what they are Abbott Laboratories up

ABBOTT Laboratories, a large

US health care products group,

yesterday turned in third-quar-

ter earnings of \$278.8m, or 33

By Karen Zagor

in New York

actually paying out in any

given year. McDonnell said yesterday that its scheme would reduce its estimated FASB 106 writeoff from \$1.2bn to \$1.8bn almost half shareholders' equity - to around \$600m to

It explained that retirees enrolling in its new plan would receive a one-time supplement - drawn from the special pension benefit trust - which could be used to pay for coverntical to that offered under the company scheme. The company said the amount of the supplement. after taxes, equalled almost all

of the cost of the premium, so "most retirees will have little, if any, new costs that are not covered by the supplemental pension benefit." Termination of the companyfunded health care plan will also allow McDonnell to cut its

cash spending on retiree health care, which had more than quadrupled in the last decade. The programme affects some 20,000 retirees and will involve a further 50,000 current employees when they retire.

cents a share, against \$251.6m.

or 29 cents, a year earlier. Sales rose to \$1.97bn from

For the first nine months,

net earnings increased 15 per cent to \$890.1m from \$774m.

Fannie Mae profits crack record again

By Patrick Harverson

in New York THE FEDERAL National Mortgage Association (Fannie Mae) yesterday reported thirdquarter net income of \$412.9m, the 19th consecutive recordbreaking quarter for the company, the largest mortgage

provider in the US. Fannie Mae's latest result beat the record of \$402m in the distanced the \$350,7m earned

Mr James Johnson, chair-

at the same stage of 1991.

man, said the performance was fuelled by strong growth in mortgage-backed securities (MBS) issuance, which totalled \$41.3bn, and record fees from sales of Remics (real estate mortgage investment con-duits), which helped offset a decline in net interest income. The fall in net interest

income, from \$518.2m a year ago to \$506.9m, was due to a reduction in float income from mortgage-backed securities and costs associated with prefunding of mortgage purchases. Its net interest margin fell in the quarter from 139 basis points to 133 basis points through an increase in short-term investment bal-

Provisions for losses were

\$80m in the quarter, the same as the previous period, taking total provisions to \$765.8m. In response, its shares rose \$1 % to \$64% in New York.

Honda lifts stake in **Indian moped maker**

By Shiraz Sidhva

in New Delhi HONDA Motor, the Japanese car and motorcycle maker, is raising its stake in Kinetic Honda Motor, its Indian moped joint venture, from 28.56 per cent to 50.92 per cent, to broaden its base there and enter neighbouring export mar-

which are increasing stakes in their Indian joint ventures folrecent economic liberalisation programme are: Gillette, the US shaving products company: Pepsi, the snack-food and softdrink maker; Cadbury's, the UK confectioner; and Motorola, the US micro-chip company.

Other foreign companies

agerial control. The Indian gov ernment hopes this could lead to big increases in investment and the transfer of technology. Mr Arun Firodia, Kinetic Honda's managing director, said the venture would issue 4.5m shares at Rs10 each at a premium of Rs20, to facilitate the Japanese company's move. Honda's decision to increase its stake boosted Kinetic's flag-

All are raising their stakes to

the newly-permitted maximum

of 51 per cent to increase man-

Rs85 in the last week. Kinetic Honda, with sales rising 14 per cent to Rs2.76bn in its latest financial year, has weathered the worst recession to hit India's Rs20bn motorcycle and scooter industry.

Indian Petrochemicals planning to go public

INDIAN Petrochemicals Corp (IPCL) said yesterday it is to go public on November 16. making India's largest petrochemicals company the first government-owned enterprise to invite equity participation from the public. As part of the government's phased privatisation programme, it had already divested 20 per cent of the Rs26bn (\$918.7m) company, which will be listed on

the Bombay Stock Exchange

later this month. The company will offer 20m shares of Rs10 each, at a premium of Rs150 a share to raise Rs3.2bn. The sum will fund its third petrochemicals complex at Gandhar. This will reduce the government's stake to 72 per cent, and to 51 per cent after a further public offering next

The company has projected gross profits of Rs3.9bn on turnover of Rs22.12bn for the current year, against Rs2.24bn

Hard man at the head of South Korea's steel revolution bows out

John Burton examines the political manoeuvres in the run-up to presidential elections that prompted the chairman of Posco to resign

week for South Korea's Pohang Iron and Steel Company (Posco), the world's third-largest steelmaker. Mr Park Tae-Joon, founder

chairman, last Friday celebrated the completion of the company's production facilities and the 25th anniversary of Posco's creation by the Korean government. But Mr Park this week stunned the company when he suddenly announced his resig-

nation, as Posco was preparing

to offer shares next week to foreigners for the first time. Whoever is selected from among the company's top management to succeed Mr Park will have a hard time matching his reputation as one of South Korea's best corporate leaders.

When Mr Park, a retired general with limited industrial experience, was asked by Korea's former military government in 1967 to create a steel industry that would support the country's rapid push to industrialise, international advisers said the project was doomed to failure.

Korea lacked the technology, capital and even the iron ore deposits to support the costly setting up of a steel company. Nevertheless, Posco today pany on the Seoul exchange.

THE Posco directors yesterday approved the resignation of Mr Park Tae-joon as chairman. Mr Park rejected an offer to become honorary chairman.

The change is linked to a dispute between Mr Park, also co-chairman of the ruling Democratic Liberal Party (DLP), and other party leaders about the forthcoming presidential election.

Mr Park has refused to sup-port the party's candidate, Mr Kim Young-sam. Mr Kim, DLP president, has threatened to expel Mr Park from the party. ranks third in world steel production at 21m tonnes, behind

Nippon Steel of Japan and Usinor-Saction of France. Its facilities at Pohang and Kwangyang are among the largest and most productive steel mills in the world. The efficiency of the plants has meant that Posco has enjoyed a consistent record of profitability in spite of pricing its

steel below world rates. Posco is South Korea's fifthlargest company in terms of sales, at Won5,820bn (\$7.4bn) in 1991, and ranked third in profits at Won145.6bn. It is also the second-largest capitalised comBut the departure of Mr Park, who resigned due to a power struggle with other leaders of the ruling Democratic Liberal Party (DLP), has cast a shadow over the company's otherwise bright future.

The immediate concern is that Posco will suffer a leadership vacuum after Mr Park's resignation, which dealt a blow to company morale. The demonstrations staged by both Posco managers and

workers to protest Mr Park's resignation reflected the revered status he enjoyed within the company. He had built up a corporate personality cult that reflects the strongly paternalistic role that Korean corporate leaders normally play in Asia's most Confucian society. Although Posco's manage-ment is considered among the

best in South Korea, there are worries the company may no longer enjoy the beneficial ties forged by Mr Park with the government, which has a 35 per cent shareholding in Posco. Posco will closely monitor the reaction of international investors to this week's developments as up to 8 per cent of its shares are offered to for-One Korean securities ana-



lyst said foreign investors were already cautious about Posco's prospects since it is considered a "smokestack" company.

The management turmoil has coincided with a slowdown in the South Korean economy. Posco's biggest domestic consumers - the car, construction and electronics industries report only modest growth.

Lucky Securities estimates that Posco sales will increase by only 6 per cent this year, against a 21.3 per cent rise in 1991. Net earnings are forecast to grow by 3 per cent against a 84.3 per cent jump in profits a has also been harmed by financial costs associated with the completion of the Kwangyang facilities, as well as increase competition in export markets. Although Posco's debt/equity ratio of 127 per cent is high by international standards, it is modest for a Korean company. The Ministry of Finance's 20 per cent shareholding in Posco has meant that the company has received preferential treat-

rate borrowing abroad. Posco believes domestic demand will rebound strongly next year due to expected higher car sales and the construction start of new infrastructure projects, including a high-speed railway and a new airport for Seoul.

Posco sells 70 per cent of its

ment in being allowed to tap

overseas capital markets,

where interest rates are lower.

The ministry normally keeps a

tight control on Korean corpo-

steel output in the domestic market. The company, which accounts for 70 per cent of Korean steel production, is still unable to satisfy the growing domestic appetite for steel despite the completion of new production facilities. South Korean steel demand exceeds domestic supply The earnings performance by around 5m tonnes.

.. Net profits (Won bn).

1985 86 87 88 89 90 91 92 Source: Company reports Indeed, the percentage of institute in 1977 and opened a Posco's total production going for export, mainly to Japan

Posco

and south-east Asia, has fallen over the past decade. Meanwhile, Posco is attempting to increase profit margins by producing higher quality speciality steel, although 95 per cent of its production remains

basic steel. Predictions that Korean steel consumption will peak by the year 2000 has forced Posco to begin diversifying its activities. It wants 30 per cent of its sales to come from non-steel operations within the next 10

years. It established a research

private technical university a decade later to develop expertise in semiconductors, speciality chemicals, genetic engineer-ing, ceramics and factory automation, all of which are considered potential areas for expansion.

But its diversification strategy suffered a setback in August when it failed to win the licence to operate the country's first private mobile telephone network.

Posco made a bid for the licence through its three-yearold information and telecommunications subsidiary, Posdata, in co-operation with Pacific Telesis of the US and

Mannesmann of Germany.

The contract was awarded, instead, to the Sunkyong group. Korea's seventh-largest conglomerate, although it was later withdrawn after the political opposition charged that nepotism was involved in the selection. The Sunkyong chairman is an in-law of President Roh Tae-woo. Although a new competition

for the licence is scheduled for next year, Posco's chances of winning the contract appear to have been harmed by the departure of Mr Park and his feud with Mr Kim Young-sam. the DLP president and the next likely president of Korea. But Mr Park may still have

his revenge. There is talk that he may break his ties with the DLP, of which he is a co-chairman, and stand as an independent in the presidential election in December. If that happens, there is a

good chance that he could win.

since he now heads the majority faction of the DLP and could attract many of its supporters away from Mr Kim. In spite of this week's

upheaval, Posco may be about to see that its best days lie ahead under a possible Park

arepe Limited international rities Limited

By Peter John in London and Patrick Harverson in New York

LONGER-dated UK government bonds rose about a point yesterday as sterling firmed, though the glit market failed to get as much of a lead as some had hoped from Mr Norman Lamont, the chancellor of the exchequer. Mr Lamont failed to provide

GOVERNMENT BONDS

any real direction to the markets when he addressed the Tory party conference and attempted to set out the bones of the government's economic strategy outside the ERM.

At first, gilt prices slipped back, reflecting a two pfennig slide by sterling. Then they recovered with the pound to show strength at the longerdated end.

By the close, long gilt futures were a full point firmer at 96.14 and the 10-year government bond had risen a to

Recovery of the long-dated government bonds was partly sparked by a growing confidence that Germany was likely

overseas demand for the 10year gilt, particularly from the US, although trading continued to be thin.

■ GERMAN government bonds consolidated recent gains as bunds moved within a narrow band and closed virtually unchanged. There was still some overhang from Wednesday's auction on new 10-year bonds. One analyst said that too much inference had been drawn from recent comments by Bundesbank officials and a rate cut was not as certain as some investors had believed. The bund futures contract on Liffe was virtually unchanged

■ SPANISH government bonds experienced a sharp rally yesterday as investors decided that any devaluation was likely to be smaller than previously thought.

at 91.12.

The market had been discounting a devaluation of about 6 per cent but some traders argued that this appeared unrealistic, making the benchmark 10-year bond cheap. There was some covering of short positions and the bond jumped some three points, with the yield spread against the D-Mark parrowing by as

		Coupon	Red Date	Price	Change	Yield	Week	Month Ago
AUSTRALIA		10.000	10/02	108,0602	+ Q.516	8.78	9.05	8.73
BELGIUM		8.750	06/02	102.3000	+ 0.030	8.39	B.53	8 95
GANADA "		8.500	04/02	104.9000	+ 0.150	7.76	7,74	7.0
DENMARK		9.000	11/00	95,2500	+0.630	9.68	9.58	9.52
FRANCE	BTAN OAT	8.500 8.500	03/97 11/02	99,2346 99,7100	+0.424 +0.800	8.69 8.53	8.77 8.61	9.33 8.85
GERMANY		8.000	07/02	103,6100	-0.025	7.43	7.41	7.78
ITALY		12,000	05/02	88,7000	-0.090	14.691	13.80	14.30
	lo 119 lo 145	4.600 5.500	05/99 03/02	100.4073 104.0433	-0.308 -0.305	4.72 4.88	4.68	4.71 4.84
NETHERLAN	06	8,250	08/02	103,4300	+0.070	7.73	7.78	8.24
SPAIN		10.300	06/02	83,6500	+ 3.050	13.38	13.41	12.43
UK GILTS		10.000 9.750 9.000	11/96 08/02 10/08	105-11 104-17 97-12	+ 13/32 + 29/32 + 11/4	8.42 9.04 9.32	8.50 8.97 9,34	9.70 9.25 9.01
US TREASUR	iy •	8.375 7.250	08/02 08/22	99-26 97-22	-9/32 -14/32	8.40 7.44	8.28 7.32	6.31 7.24
ECU (French	Govt)	8.500	03/02	94.6200	+0.280	9.37	9.35	9.40

much as 65 basis points to 595.

■FTALY continued to see consolidation with government bonds bouncing back in early trade, helped by short covering. However, analysts said that the fundamental situation in Italy continued to be very worrying. Yesterday the Italian budget minister notified parliament that the government would seek a confidence vote to secure approval of a L23,800bn package of spending

cuts. Late in the day, the Bank of Italy cut its Lombard rate by half a point to 16 per cent, reflecting the easing of pressure in the money markets and a partial reversal of the last rate hike on September 4 when the lira was in the ERM.

■IN FRANCE, there was initial disappointment that the central bank did not follow the recent lead provided by Belgium and Holland and cut interest rates. The Bank of tion rate unchanged at 9.6 per cent. However, interest picked up later and OATs gained % of a point, while the BTANs advanced nearly 1/2 point. Dealers said the inverted yield suggesting that the prospect of a rate cut were growing all

■ BELGIAN bond markets saw little movement by the close of trade, but the market managed to hold on to Wednesday's gains. Dutch government bonds finished a quiet session flat to slightly firmer with the guilder's recent strength continuing to lend support.

■ IN TOKYO, Japanese government bonds and futures prices were down from their Wednesday close but off their lows in late afternoon trade. Faded hopes for an imminent relaxation of US credit induced selling from dealers, but moderate short covering lifted prices slightly before the close.

SWEDISH yields for shortdated bonds closed sharply lower as a market consensus grew that the central bank would continue to cut its key lending rate from yesterday's lowered its marginal lending rate from 20 per cent and said earlier it was aiming at levels below that of last summer when it stood at 11.5 per cent. It did not elaborate on a possible time frame for further cuts.

■US TREASURY prices were little changed in light trading yesterday morning in spite of an unexpectedly large fall in initial jobless claims.

By midday, the benchmark 30-year government bond was down is at 97s, yielding 7.483 per cent. The two-year note was unchanged at the halfway mark, at 100%, yielding 3.867

The morning's only economic news was of a 24,000 decline in weekly state unemployment claims, a much larger than expected fall. Although prices shed a few points on the news, reports of strong Middle East buying of seven-year notes helped the market regain most of its lost ground. Prices were supported by a feeling among some inves-tors that the market had been oversold in recent days on the widespread disappointment that the Federal Reserve did not cut interest rates after last week's poor September employ-

Bundesbank keeps analysts on their toes

By David Waller in Frankfurt

THERE are times when watching the German central bank "makes the ancient art of Kremlinology look like child's play", accord-ing to Ms Alison Cottrell, of Midland Montagu, in her latest commentary on the Bundes-

The Bundesbank's money market activities have been particularly perplexing in the last chaotic month, with the bank attempting to steer rates against a background of large inflows of cash in the wake of intervention in the currency

One unequivocal fact is that the Bundesbank has steered rates down by 0.8 per cent in the last month, to below 9 per cent – a reduction which is far more substantial than the 25 basis point fall in the headline Lombard rate announced in the middle of last month.

As Mr Helmut Schlesinger, Bundesbank president, said after last week's council meeting in Schwerin, money market rates are a more important indicator of policy than the Lombard rate. At the same time, he announced that the bank would be introducing a two-week securities repurchase agreement (repo) tender, giving it more scope to fine-tune

money market rates. Throughout September, the market picked up mixed signals as the central bank pursued a number of objectives all at once. Mr Richard Reid, of UBS Phillips & Drew, says that the monetary authorities were attempting to reduce tensions in the ERM, neutralise the effects of intervention on domestic money supply and keep up the battle against inflation - all at the same

The Bundesbank reacted to the excess liquidity - DM92bn of funds flowed into Germany in September - with a variety of measures, indicating the Bundeshank's determination to sterilise the impact of intervention on money supply development. It issued three or swaps, and it cancelled two consecutive repo auctions, last week and the week before. The picture was confused on

Wednesday and Friday last week, when the Bundesbank pumped funds back into the market under its so-called Paragraph 17 provisions. It was thus injecting liquidity within days of taking it out of the market - "providing a heap of chickens' entrails for ana-

lysts," says Ms Cottrell.
Mr Schlesinger's comments
on Friday cleared the air somewhat: he said that the alm was to keep rates down to below 9 per cent for the time being. and that he was happy with the orientation of monetary policy. The money market rate was where it should be: midway between the Lombard rate at 9.5 per cent and the Discount rate at 8.25 per cent.

The important question is whether the fall in money market rates presages further, more substantial cuts in the internationally sensitive Lombard rate. This would be an indication that German interest rates were on the way down, after the grudging 1/4 point cut under political pressure last month.

Analysts say that with interest rates as they are, the Lombard rate could be cut by 0.25 per cent. But Mr Thomas Mayer, of Goldman Sachs, says that it is extremely unlikely the Lombard rate will be lowered at all this year - unless there is another currency crisis. By leaving the large gap Lombard rate, the Bundesbank is indicating that its next move could be to steer money rates up, just as well as down.

As Mr Johann Gaddum, member of the Bundesbank's policy-making council, indicated yesterday, the bank had no intention of relaxing its battle against inflation in Germany. It is unlikely to find excuses for a cut in interest rates in money supply growth for September. Bloated by intervention, growth is likely to be around 10 per cent, compared to a target of 3.5 per cent

HISOH

EIB establishes benchmark for French franc paper

By Tracy Corrigan

THE European Investment Bank yesterday brought the first substantial offering in the Euro-French franc market since August, when the market virtually closed due to worries over the French referendum on Maastricht in September.

The EIB was keen to re-es-

tablish a benchmark in the sec-INTERNATIONAL BONDS

tor, since trading in its paper was disrupted by the change in Italian tax treatment of EIB paper last month. Under the new tax rules, new EIB paper is no longer exempt from withholding tax for Italian investors, and old EIB paper does not benefit from the exemption if traded in the repo market.

EfB paper was trading at yields substantially lower than French OATs, but spreads widened by as much as 50 basis points as a wave of paper hit

the market.

The new deal, a FFr2bn 10year offering arranged by Société Générale, was priced to yield 34 basis points over the comparable French government bond. The deal was priced at the same level as French government guaran-teed paper launched in the domestic market. Dealers said the issue, which incorporates a delayed rate settlement struc-

ture, met strong demand. Meanwhile, liquidity in the Euro-French franc market has improved in recent days, as short-term rates eased. Following the referendum, overnight rates as high as 24 per cent made it extremely expensive for banks to fund inventory,

However, the overnight rate fell to 11% per cent yesterday. "The market is not yet back to normal, but conditions are

Improving," said one trader. Three new issues totalling SFr1bn emerged yesterday in the Swiss franc bond market. which has benefited from its status as a safe haven during the recent turmoil in European financial markets.

The issues were spread across a range of maturities, which helped the market to absorb unusually heavy supply, in addition to two 12-year domestic bond issues by Swiss utilities totalling SFr200m. The World Bank launched a

large SFr500m offering of 6% per cent seven-year bonds, vla Union Bank of Switzerland, which dealers said was rather aggressively priced. In addition, Belgium launched a SFr200m five-year deal via Credit Suisse and Ostterrei-

NEW INTERNATIONAL BOND ISSUES Borrower STIRLING Britannia Bidg Society(Hoare Govett Corp.Fm FRENCH FRANCS 8.75 32.5/20bp Société Générale D-MARKS GECC(a) 7.75 102.6 2/1.775% M.Stanley/SBV **GUNLDENS** 1/0.625% ABN AMRO 7.75 100.35 Nederlandse Inv.Bani SWISS FRANCS - Swise Bank Corp. - Crédit Suisse 13/14 % Sakura Bk(Schwelz

chische Kontrollbank raised SFr300m of 10-year bonds via Swiss Bank Corporation.

Swiss bond yields have fallen by about 1/2 point since last month, as investors have shifted assets into the Swiss market. A number of other borrowers are taking price indica-

ls our 46th

tions for transactions in the sector, but some believe rates still have further to fall.

The Britannia Building Society added a further £50m tranche of 13 per cent Permanent Interest Bearing Shares (Pibs) to its 260m issue. The

the 9 per cent gilt due 2008. The issue of undated mandatorily convertible subordinated notes launched last January were converted into notes on August 1, following shareholder approval at the society's

price of 280 basis points over

two-day bills and currency

MARKET STATISTICS RISES AND FALLS YESTERDAY LIFFE EQUITY OPTIONS LONDON RECENT ISSUES bssee Pald Researc 1992
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COMPANY NEWS: UK



John Westhead: Penny & Giles profits below expectations but management positive

Bowthorpe lifted to £22m

By Paul Taylor

BOWTHORPE, international electronic and electrical components group, yesterday reported a 5 per cent gain in interim profits, buoyed by UK acquisitions and improved sales penetration in

Pre-tax profits rose from £21.3m to £22.4m in the six months to June 30, on turnover

of £125.6m (£112.5m). Earnings per share rose by 10 per cent from 7.17p to 7.88p and the interim dividend is lifted to 1,79p (1.7p).

The relative weakness of sterling compared to the first half of 1991 contributed a 2200,000 gain on the translation of pre-tax profits and a £1m increase in reported sales.

Group operating profits rose to £21.9m (£20.2m), offsetting reduced net interest income of £548,000 (£1.14m).

UK operating profits increased to £4.8m (£3.9m) with just over half the growth com-

ing from the Edgcumbe Instruments and Penny & Giles International acquisitions.

Mr John Westhead, chief executive, said profits from Penny & Giles, the aircraft "black box" manufacturer acquired for £30m in May were below expectations in the first half, but the management was "positive about the long-term

Operating profits from continental Europe rose to £9.1m (£8.7m).

Improved sales penetration in the US more than offset weaker demand in the defence and medical markets and belped boost operating profits to £6.3m (£5.4m).

The contribution from subsidiaries and associated companies in the rest of the world fell to £1.7m (£2.2m), mainly because of weak trading conditions in Japan.

Although Bowthorpe's results were not audited, the company, like several others. detailed half-year information and a statement from its auditors, Ernst & Young, that the figures have been "reviewed."

Bowthorpe's management is adept at acquiring small niche electronics businesses, integrating them, improving margins and finding synergies in international product and marketing development. One example is the growing market for the various data acquisition equipment produced by Optim Electronics and the recently acquired Odessa Engineering businesses in the US and Penny & Giles in the UK. The strategy has served Bowthorpe well and, given the group's strong cash flow and minimal borrowings, more selective cast profits of £45.3m this year put the shares on a prospective p/e of just over 16 times earnings. This is a steady stock in a recession, but not a bargain at

Clarkson slumps to £1.5m

THE PROBLEMS at Lloyd's reflected in the first half figures of Horace Clarkson, the shipping and insurance group, where profits crashed 75 per cent and the interim dividend is being cut to a nominal 0.5p. Mr Carron Greig, chairman, heavy losses incurred by

Names in 1988 and 1989 made the placing of personal stop loss extremely difficult. That led to substantially reduced brokerage and increased the cost of servicing claims.

For the period to June 30 turnover fell to £19.8m (£23.9m), with insurance broking contributing £6.8m (£10m). Group pre-tax profit came to £1.5m (£6.1m) after the insurance side made only £500,000

(£4.7m). Mr Greig said the majority of insurance income was earned in the first half, and the division as a whole would report a loss for the full year.

Earnings per share worked through to 3.5p (15.7p) and the interim payment compares with 2.75p last time.

Board changes after Courtyard Leis loss

Courtyard Leisure, USM-quoted restaurant and wine bar operator, yesterday

the light of annual pre-tax of £120,000 on sales of £700,000. Mr Paul Bowskill has

resigned as a director and Mr Ali Safa has been appointed as joint managing director. He holds 705,000 shares in the company and is a director of TW Consultants. Earlier this year bid talks were discontin-ued with TW, which speaks for 27.78 per cent of Courtyard. Sales for the year to March .

31 were up 21 per cent at £1.9m (£1.57m). But interest receivable fell to £15,024 (£103,242). There is no dividend pay ment for the year, last year 0.5p was paid.

Chepstow R'course advances 27%

Chepstow Racecourse raised turnover and profits by 27 per cent in the six months to June 30. The pre-tax result advanced from £32,694 to £41,599 on sales of £917,595.

Earnings per share came through at 6.3p (4.9p).

Capita makes further purchase

Capita Group, which supplies computer and management services to the public sector, is acquiring Yates Edge & Partners for £600,000.

Some 171,921 new ordinary shares at £3.49 each are to be issued to Yates. The supplier of building and energy-related services has undertaken to retain the shares for two years. In the year to August 31 announced board changes in Yates reported pre-tax profits

Capita's share price yesterday rose 30p to 367p.

Bilston Enamels reduces losses

Bilston & Battersea Enamels made some improvement in the half year ended June 30 by cutting pre-tax losses from £52,000 to £28,000.

But the recession showed no sign of abating, and the company said it continued to cut

Turnover in the period was £1.76m (£1.61m). Sales in the UK improved 20 per cent on the low levels of last year, but exports continued to be eroded as the recession increasingly affected those markets.

Losses per share came to 0.8p

11% annual growth for Town Centre

Town Centre Securities, the property investor and developer, lifted its pre-tax profit by 11 per cent, from £6.51m to £7.25m, for the year ended June 30 1992.

The dividend is raised from 2.8p to 3.1p, with a proposed final of 2.1p, as earnings per share rose to 5.12p (4.58p). Gross rental and investment income totalled £16.6m (£15.6m) and operating surplus came to

£12.8m (£12.2m). Interest charges were £5.58m (£5.64m). At the year-end net asset value had slipped to 121.38p (125.75p) per share.

This notice appears as a matter of record only



£50,000,000

Further tranche of 13 per cent Permanent Interest Bearing Shares

placed by

Hoare Govett Corporate Finance Limited

HOARE GOVETT ABN AMRO GROUP

TRAFALGAR HOUSE TENDER OFFER CLOSES AT **4.30 pm TODAY**

Tender Offer

ROBERT FLEMING & CO. LIMITED

on behalf of

HONGKONG LAND HOLDINGS LIMITED

to purchase up to an aggregate of 104,484,000 Ordinary and/or 'A' Ordinary shares in

TRAFALGAR HOUSE Public Limited Company

85p per Ordinary share of 20p each and at **82p** per 'A' Ordinary share of 20p each

- Shareholders who wish to accept the tender offer should contact their stockbroker immediately.
- Tender forms can only be lodged by Stock Exchange Member Firms on behalf of shareholders.
- Completed tender forms should be lodged by 4.30 pm TODAY, Friday 9 October 1992, to National Westminster Bank at either:

National Westminster Bank Plc Registrars Department New Issues Section 15 Featherstone Street London EC1Y 8QS

National Westminster Bank Plc Registrars Department New Issues Section PO Box 859 Hartcliffe Bristol BS99 1XZ

Forms are available for collection by Member Firms from National Westminster Bank Plc at either of the addresses above, or from:

Robert Fleming & Co. Limited and **Robert Fleming Securities Limited**

25 Copthall Avenue

London EC2R 7DR

S.G.Warburg Securities l Finsbury Avenue

London EC2M 2PA

Member Firms may aggregate tenders on behalf of more than one client and lodge them as a single

ADMINISTRATIVE ENQUIRIES: ROBERT FLEMING & CO. LIMITED. TEL: (071) 638 5858. Robert Fleming & Co. Limited is acting for Hongkong Land Holdings limited in connection with the tender offer and no-one else, and accordingly will not be responsible to any other person for providing protections afforded to its customers or for advising any other person on the tender offer.

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ITALIAN TECHNOLOGY AND INDUSTRY

The FT proposes to publish this survey on October 12 1992.

The above survey will be distributed to 160 countries worldwide including Italy.

In Europe 92%* of the professional investment community regularly read the FT. If you want to reach this important audience, please contact: (in Italy)

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> *Data source: The Professional Investment Community Worldwide 1991 (MPG Intl)

> > **FT SURVEYS**

New indices for the specialist investor

Waters in London and Laurie Morse in Chicago

THE NEW stock market indices recognise a growing demand from investors for a wider range of real-time benchmarks against which to develop investment strategies and judge their performance.

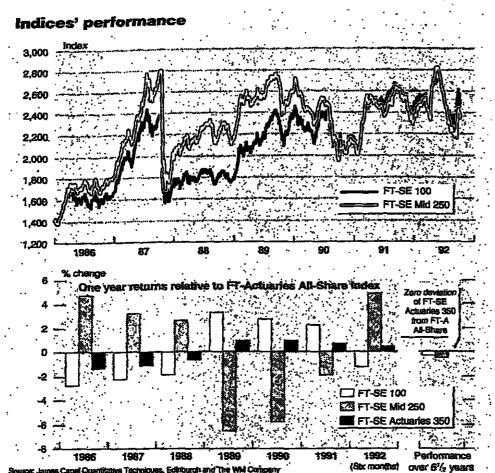
In recent years the FT-SE 100 and the FT-A All Share Index of 653 stocks have been challenged by fund management firms which have designed their own proprietary indices to measure the performance of key market segments.

Hoare Govett's Smaller Comnanies Index has been matched by a similar one from County NatWest, and James Capel has developed its own "Tootsie" index of the 100 companies ranking just below the FT-SE 100 in terms of market capitalisetion.

Now, the creation of ne indices bearing the FT-SE imprimatur, which focus on medium-sized and smaller companies are expected to provide a boost to specialised fund management.

"There is a growing move towards specialisation in the fund management business. said Mr David Twiss, general manager of MAP Securities, a fund management firm specialising in quantitative techniques. "You will now have recognised benchmarks to asure performance against."

While clients such as pension fund trustees may once have handed their portfolio to a single manager to run a balanced fund, the new bench-



to break up their portfolios, handing a part to a smaller companies expert or one specialising in the new FT-SE Actuaries 350.

Moreover, says Mr Robert Brown, head of the structured equity group at County Nat-

West, the existence of new indices is likely to raise investor consciousness about passive management techniques, in which portfolios mimic the components of a sin-

While more than half the

domestic equity funds in the US are managed in this fashion for far lower fees than those charged by active managers it is estimated that no more than 12 to 15 per cent of the UK market is managed in this The creation of a new, wide-ly-accepted index may well encourage clients to examine more closely the performance of market segments relative to each other, says Mr Brown. For instance, at times of great volatility in the FT-SE 100 index share prices in the next 250 companies may move relatively little.

And for the first nine months of 1992, the FT-SE 100 has produced a return of 6.2 per cent, compared with a return of 5.6 per cent for the FT-A All Share index and a negative return of 9.5 per cent for the CNW Smaller Companies Index. CNW's own proprietary index.

In explaining the disparate performances of the FT-SE 100 and the All Share indices, fund managers point to the significance of the 10 per cent of smaller companies in the

broader index.
Mr James Woodlock, head of quantitative investment management at BZW Investment lanagement, noted that the returns generated by small companies differ by as much as 30 to 40 per cent when compared with those of large companies. Thus, the extent to which small companies are represented in a portfolio could significantly affect returns.

Meanwhile, the creation of the new indices is likely to spur the creation of new retail investment products, said Mr John Clamp, chief executive of Combined Actuarial Performance Services, which measures pension fund returns. "The very fact that additional indices are being created will encourage fund managers to

(approx.) 1.37 2.40 Above £1bn £150m-£1bn 1.62 1.00 1.59 Above £150m 3.04 4.18 £20m-£150m FT-Actuaries All-Share

devise funds to track them," he

FT-SE 100 FT-SE Mid 250

FT-SE 350 Actuarie

FT-SE SmallCap

But the extent to which the new indices, however effective as benchmarks, become widely accepted by investors may well dging tools.

These new benchmarks will be successful as and when new derivative contracts based on them take off," said Mr Andrew Threadgold, chief executive of PosTel, the UK's largest pension fund and its largest internally managed index fund.

Such derivatives are likely to be over-the-counter products developed by individual banks, rather than exchange-traded instruments, at least in the short term. The London International Financial Futures Exchange said vesterday it had no plans yet to launch any futures or options contracts, though it would watch the development of the new indices

Two factors will determine whether an active derivative market builds up around the indices. One is the extent to which institutional investors use the indices; if they take up the FT-SE Mid 250, for instance, then a futures contract would provide a way of reducing or extending exposure to the sector quickly without trading the underlying

MARKET STATISTICS OF THE INDICES

Investor interest takes time to build, though, and is not enough on its own. The ill-fated futures contract based on the FT-SE Eurotrack 100 of continental European stocks was withdrawn after it failed to gain enough momentum, despite the Stock Exchange's claims that the index has developed a good following among investors.

The second ingredient is the active involvement of investment banks and others willing to trade the contracts - for instance by arbitraging between the futures and the underlying market. Such arbitrage in the case of stocks out-side the FT-SE 100 could prove difficult, though. The "touch" (the difference between the best buy and sell prices) of Mid 250 stocks is almost double that on the FT-SE 100, reflecting the relative lack of

iquidity in these stocks. Experience elsewhere suggests that smaller company indices, and the derivatives based on them, pass in and out

of favour very rapidly. In the US in the first three months of 1991, for instance, small and medium-sized stocks that were not in the S&P 500 index saw a 35 per cent price appreciation, while the larger stocks were barely breaking

Institutional traders, not wanting to miss the action, looked around for an easy way to trade the smaller equities and persuaded Standard and Poors to construct a "Midcan"

The Chicago Mercantile Exchange launched futures on the Midcap 400 in February. about a year after the 1991 small-stock rally began. The contract caught the tailend of the excitement, but volume faded along with hopes for a strong economic recov-

The Midcap 400 futures now trade about 525 contracts per day, and anaemic turnover compared with the S&P 500 futures' robust 57,000. At the American Stock Exchange, where options on the Midcap are traded, volume is larger, with daily figures hovering around 4,000 contracts.

Equity traders say the Midcap was generated by the whims of the market, and has suffered with the overall market weakness this year. The S&P 500 index return is flat so far in 1992, and the Midcap 400 has underperformed the S&P 500. "Bottom line," one trader says of the Midcap futures. "this thing is struggling, its

lands Electricity; Mirror Group Newspapers; Monks Invest-

ment Trust; Monument Oil &

Gas; Morgan Crucible; Morri-

son (Wm) Supermarkets; Mur-

ray Income Trust; Murray

International Trust; Norweb;

Newman-Tonks Group; Next;

Northern Electric; Northum-

brian Water: Nurdin & Pea-

cock; Ocean Group; Paterson

Zochonis A: Pentland Group:

Indications of changing demands

THE NEW indices announced yesterday by the Financial Times, the International Stock Exchange and the Institute and the Faculty of Actuaries resulted from an attempt to improve and extend the existing indices covering the UK market.

A working party, including representatives from every sector of the investment community, was set up.

It rapidly became clear that market participants were happy with the operation of the FT-SE 100 index, as the principal real-time index for UK stocks, and with the FT-A All-Share, the market's main end-of-day performance measurement benchmark.

However they wanted to extend the approach taken by these indices in a number of

• Mid-sized companies -There was a need for a definitive real-time index covering the next tier of companies below the FT-SE 100. The exact

size of this group was the subject of much discussion, and some research among investment managers to establish their view on what a "midsized" company meant. The committee settled on a tranche of 250 companies ranking immediately below the

panies have market capitalisations in the region of between £150m and £1bn, based on share values at mid-year. The largest company in the FT-SE Mid 250 is Standard

FT-SE 100 in size. These com-

Chartered, with a capitalisation now of £1.1bn and the smallest is Newman Tonks, with a capitalisation of Real-time industry baskets

The FT-A All-Share provides detailed sector-by-sector breakdowns of performance at the end of each day, published the following morning in the FT on the page that carries the London Stock Market report. Until now, there has been no way to track the performance of industry sectors minute-by-minute or to attribute the relative performance of sectors to a particular news event. It would not have made sense, however, to hase real-time industry has-

Economy-related performance

THE back history of the new indices calculated from December 31 1985 - shows clearly the impact of investment decisions. In the three years from 1986 to 1988, second-tier British companies, those in the FT-SE Mid 250, significantly outperformed their larger colagues in the FT-SE 100.

Any investment manager who had concluded from these figures that medium-sized companies possessed a magic all their own would have been sadly disappointed, however. From 1989 to 1991, the trend was reversed the FT-SE Mid 250 doing much worse than the FT-SE 100. In 1989, the year in which this effect was most marked, there was a ten percentage points

difference between the performance of a portfo-

kets on the FT-SE 100, as the sector distribution of compa-

patchy What was needed was a group of companies traded with sufficient frequency to make real-time prices meaningful and yet close enough in performance to the All-Share to make the industry baskets good intra-day substitutes for the end-of-day All-Share sec-

universe of 350 stocks, the FT-SE 100 plus the new FT-SE Mid 250. Baskets that mirror the sector classification of the All-Share will be calculated minute-by-minute on these companies. In time, derivative contracts (futures and options) may be established on some of the more interesting and active baskets. The FT will publish the hour-by-hour changes in some of the baskets, but the newspaper's principal sectoral breakdown will continue to be the end-of-day All-Share sub-in-

The FT-SE Actuaries 350, the group of stocks on which the industry baskets will be calculated, may also serve another purpose. It may come to be regarded as a "liquid benchmark", the working definition of the universe of stocks to which most investors direct most of their attention.

lio invested solely in mid-sized companies and one invested in the top 100. In the first six months of 1992, the pendulum has swung back again.

Size may be one cause of this switchback. Medium-sized companies have proved less capable of withstanding recessionary pressures than larger, more strongly capitalised rivals.

A more important factor, however, is likely

to have been the much greater reliance by the FT-SE Mid 250 stocks on the UK economy, where the recession has been particularly severe by international standards. Many stocks in the FT-SE 100 obtain the great bulk of their revenues abroad, the busine ses in the second tier are focused closer to home.

nies within the index is

The obvious choice was a

As the table shows, the FT-SE Actuaries 350 will cover 92 per cent of the total capitalisation of the UK stock market, a significant advance on the 72 per cent covered by the FT-SE

● A larger FT-A All-Share At its peak, over the last three s, the All-Share has contained about 720 shares. Over time, takeovers and bankruptcles have reduced that number. It seemed time to establish whether the current size of 653 shares was the correct one.

Investment managers indicated a desire to see a slightly higher proportion of the total market covered. From the end of the year the All-Share will be extended by roughly 200 shares to cover approximately 98 per cent of the total UK mart. At the same time, a new FT-SE Small Cap index will reflect the movement of those All-Share members which lie below the FT-SR Actuaries 350 in terms of market capitalisation. Like the Ali-Share, this will be an end-of-day index. It will be calculated in two ways. including investment trusts and excluding them. Companies will only be eligible for the All-Share if their stocks trade at least every other day. This "liquidity screen" is designed to exclude a handful of stocks that are very tightly held, and almost never trade. It will not affect the great bulk of current All-Share members. A consistent series - One clear message the working group received was a desire to have a consistent series of indices, with a common set of

ground rules and procedures,

and no overlap. A company should either be in the FT-SE

100, or in the FT-SE Mid 250, or in the FT-SE Small Cap, but not in more than one of them. Thus a small company will start outside the All-Share. As it grows, it will qualify for All-Share membership on the grounds of size and liquidity, and will initially find itself in the Small Cap portion of the index. In time it can hope to rise in market capitalisation sufficiently to enter first the FT-SE Mid 250, and then ultimately the FT-SE 100. At each point, its eligibility will be governed by the same rules, and the same calculations will determine price, yield and so

• Independent management - The arcane and complex rules that govern the way an index runs - necessary to cope with the ever more complex capital structures of late twentieth century companies - can occasionally become contentious. It was important, therefore, to have a unified set of committees to run the new indices, under a strong and indepen dent chairman. The FT, the Stock Exchange and the Actuaries have set up an independent steering committee, overseeing practitioner committees which will carry out the quar-ter-by-quarter decisions which make the indices tick. The task of seeing that these indices continue to meet the needs of investors - as the All-Share and the FT-SE 100 have done now falls to them.

Peter Martin

Constituents of the FT-SE 100 and the FT-SE Mid 250

FT-SE Actuaries Share Indices

FT-SE 100 Associated British Foods;

Abbey National; Allied-Lyons; Anglian Water, Argyll Group, Arjo Wiggins Appleton; B.A.7 Industries; BAA; BET; BOC Group; BTR; Bank Scotland; Barclays; Bass; Blue Circle Industries: Boots: Bowater; British Airways; British Gas British Petroleum; British Steel; British Telecommunica tions; Burmah Castrol; Cable and Wireless; Cadbury Schweppes; Carlton Communications; Coats Viyella; Commercial Union; Courtaulds; De La Rue; English China Clays; Enterprise Oil; Fisons; Forte; General Electric Co.: General Accident; Glaxo; Granada Group; Grand Metropolitan: Great Universal Stores; Guardian Royal Exchange; Guinness; HSBC Holdings (75p); Hanson; Imperial Chemical Industries; Inchcape; Kingfisher, Kwik Save; LASMO; Ladbroke Group; Land Securities; Legal & General; Lloyds Bank; MB-Caradon; Marks and Spencer; NFC; National Power; National Westminster Bank; North West Water; Northern Foods; Peninsular and Oriental Steam Navigation; Pearson; PowerGen; Prudential; RTZ; Rank Organisation; Reckitt & Colman; Redland; Reed International; Rentokil Group; Reuters; Rolls-Royce; Rothmans International; Royal Bank of Scotland; J. Sainsbury; Scottish & Newcastle; Scottish Hydro-Electric; Scottish Power; Sears; Severn Trent; Shell Transport and Trading; Siebe: Smith & Nephew; W.H. Smith; Smith-Kline Beecham; Southern Electric; Sun Alliance; Thorn EMI; TI Group; TSB Group; Tate &

FT-SE Mid 250

AAH Holdings; ACT Group; Amec; APV; Asda Group; Airtours; Albert Fisher Group; Alliance Trust; Allied Colloids; Amersham International; Amstrad; Anglo & Overseas Trust; Argos; Ashley (Laura) Holdings; Asprey, Associated British Ports; Attwoods; BBA

Lyle; Tesco; Thames Water:

Tomkins; Unilever; United Bis-

cuits; Vodafone; Wellcome;

Whitbread: Williams Holdings.

FT-SE 100 (100 stocks) FT-Actuaries 350 & Industry (250 stocks) Baskets FT-SE SmallCap All-Share & Industry (450+ stocks) Two versions, with and without investment trusts. 7800k stocks) Group: BICC: BPB Industries: Fleming Japanese Investment BTP; Babcock International Trust; Fleming Mercantile

Group; Baird (William); Bankers Investment Trust; Berkeley Group; Bilton (Percy); Blenheim Group; Boddington Group; Body Shop International; Booker; Bowthorpe Holdings; Bradford Property Trust; Brake Bros; Britannic Assurance; British Aerospace; British Assets Trust; British Land; British Vita; Brixton Estate; Brown (N) Group; Bry-ant Group; Bullough; Bulmer (HP) Holdings; Bunzl; Burton Group; Caledonia Investments; Calor Group; Central Independent Television; Charter Consolidated; Christies Interna-tional; Chubb Security; Compass Group; Cookson Group; Courtaulds Textiles; Cowie (T); Croda International; Daily Mail & General Trust A; Dalgety; Dawson International; Delta; Diploma; Dixons Group; Dunedin Income Growth; Dunedin Worldwide; Emap; Etam; East Midlands Electricity; Eastern Electricity; Edinburgh Investment Trust; Electra Investment Trust; Electrocomponents; Ellis & Everard; Eurotherm; Eurotunnel; Foreign and Colonial Pacific Investment Trust; FKI; Fairey Group; Farnell Electronics; Fine Art Developments; First Leisure Corporation; Fleming Far Eastern Investment Trust tional; MicroFocus Group; Mid-

Investment Trust; Fleming Overseas Investment Trust; Foreign & Colonial Investment Trust; GKN; Geest; Gestetner Holdings; Glynwed; Govett Oriental Investment Trust; Govett Strategic Investment Trust; Great Portland Estates: Greenalls Group; Greene King; Halma; Hambros; Hammerson Properties; Harrisons & Crosfield; Hartstone Group; Hays; Hazlewood Foods; Heath (CE); Hepworth; Hewden Stuart; Hickson International; Highland Distillers; Hillsdown Holdings; Huntingdon International Holdings; IMI; Ibstock Johnsen; Iceland Frozen Foods; Invergordon Distillers; Invesco MIM; JIB Group; Johnson Matthey; Kleinwort Benson; Kwik-Fit Holdings: Laird Group; Laporte; Lex Service; Life Sciences International; Lloyds Chemists; London & Manchester Group; London Electricity; London International Group; London Merchant Securities: Lonrho; Low & Bonar, Lucas Industries; M&G Group; ML Laboratories; MAI; MEPC; MFI Furniture Group; Macallan-Glenlivet; Manweb; Marley; Marston Thompson & Evershed; McKechnie; Medeva; Meggitt; Menzies (John); Merchants Trust; Meyer Internaity Group; Yorkshire Water;

Persimmon: Photo-Me International; Pilkington; Polypipe; Portals Group; Powell Duffryn; Powerscreen International; Provident Financial: Queens Moat Houses; RIT Capital Partners; RMC Group; Racal Electronics: Raine Industries: Ranks Hovis McDougall; Refuge Group; Royal Insurance; Rugby Group; Seeboard; Saatchi & Saatchi; Salvesen (Christian); Savoy Hotel A; Scapa Group; Schroders; Scottish American; Scottish Eastern Inv. Scottish Investment Trust: Scottish Mortgage & Trust; Scottish Television: Securities Trust of Scotland: Second Alliance Trust; Securicor Group A: Sedgwick Group; Sema Group; Senior Engineering, Shanks & McEwan; Sherwood Group; Simon Engineering; Slough Estates: Smith (DS) Holdings; Smiths Industries; South West Water, Southern Water, Spirax-Sarco Engineering; Spring Ram Corporation; St Ives; St James's Place Capital; Standard Chartered; Staveley Industries; South Wales Electricity; South Western Electricity; Storehouse; T&N; TR City of London Trust; TR Smaller Companies Investment Trust; Takare; Tarmac; Taylor Woodrow, Tibbett & Britten: Tilbury Douglas: Tiphook: Trafalgar House: Transport Development; Trinity International Holdings; UniChem; Unigate; United Newspapers; United Friendly Group B; VSEL Consortium; Vaux Group; Vickers; Warburg (SG) Group; Wassall; Watmoughs Holdings; Weir Group: Welsh Water; Wessex Water; Whitbread Investment Co; Wickes; Willis Corroon; Wilson (Connolly); Wilson Bowden; Wimpey; Witan Investment Company; Wolseley; Wolverhampton & Dudley Breweries; Yorkshire Electric-

ASSETMIX SICAY Registered office 7th Floor, Centre Mercure, 41 evenue de la gare, LUXEM9QURG R.C. de Lucemboug 828380 NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

To receive and educt the Director's Report and the report of the Auditor for the year ended 30 June 1892. To receive and adopt the Statement of Net Assets, Statement of Operations and Statement of Changes in Net Assets and in Issued Shares for the year ended 3

olders who earnot attend the meeting in person are invi

ENERGY EFFICIENCY

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> Manchester M2 5HT Data source:* EBRS 1991 & Chief Executives in Europe 1990

Queen Street

FT SURVEYS

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By Andrew Taylor, Construction Correspondent

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IBSTOCK JOHNSEN, one of Britain's few remaining indenendent brick mammachirers has joined the growing ranks of building material producers and contractors to cut divi-

The company, like many others in the recession-hit sector. made a rights call in spring last year and raised \$44m at

Yesterday, the shares fell a further 4p to 45p after the company announced it was reducing its interim dividend from

It had been hit by the big fall in housebuilding and commercial property development. both heavy users of bricks.

Pre-tax-profits during the six stockpiled by British manufactor recover. First half there rose from 1796,000 to 11.08m. £7.2m to £3.1m. Earnings per share declined from 1.97p to 0.76p leaving the much reduced dividend comfortably covered. Profits would have been even lower but for a rise of almost £600,000 to £857,000 in interest

receivable following the rights

Trading prospects continued to look bleak. Mr Paul Hyde-Thomson, who retires as chairman at the end of this year, said that there was still substantial over-capacity in the UK bricks industry while its main markets remained extremely depressed

More than 1.4bn unsold bricks, equivalent to six months' supply and enough to build 170,000 homes, were turers at the end of July.

Tarmac, Blockley and Redland recently had announced plans for reducing capacity. Despite this, UK sales were still running at about 75 percent of the industry's production capacity.

Brick prices had fallen sharply as a consequence, said Mr Hyde-Thomson. Profits before interest from lbstock's UK building products division fell by £4m to £2.7m even though volume sales were broadly similar to the first half of 1991.

Its US operations were in the north east of the country which had been hit hard by a recession in housebuilding and commercial property development, and had been very slow

have incurred a loss but for the

operations, which had under-

pinned the divisions relatively

small operation in the

Ready mixed concrete and

form work would also have

been in loss if the group had

not moved swiftly to reduce

Tilbury's strengths are its bal-

ance sheet and mix of special-

ist contracting skills which

should continue to underpin in

recession. Demand for con-

struction from water compa-

nies and process plant busi-

nesses, such as the petroleum

and pharmaceutical industries,

have held up far better than

other areas of contracting. The

mechanical and electrical busi-

ness similarly has benefited in

demand from the recently pri-

overheads.

COMMENT

depressed English market.

from £796,000 to £1,08m.

Profits also dipped from £1.57m to £1.02m in the continental European building products market where Ibstock had tile and sanitary-ware operations.

Forestry products, which earlier in the recession had provided a shelter against a downturn in UK and US construction, made slightly reduced loss of £409,000 (£586,000) with the pulp and paper industry at a low ebb.

COMMENT

lostock can be excused for feeling besieged. Every market in which it operates is in recession with little prospect for significant recovery for another 12 to 18 months. The biggest problem is over-capacity in the UK brick industry where more plant closures and job losses are inevitable. On the plus side Ibstock has a gearing of only 12 per cent despite increased investment in cheaper production; unfortunately, it may not feel the benefit of its spending for some time. In the US, recovery in construction has been slow and patchy and still has to take off in the north east. Total dividends this year, at best, may be no more than In on pre-tax profits £4m-£5m.

may help underpin the shares - Tarmac is known to have looked at the possibility - but the company is likely to attract few supporters until the industry's general problems can be

The possibility of a merger

at Higgs & Hill

PRE-TAX profits of Higgs Hill, the construction, housebuilding and property group, slid from £1.06m to £673,000 in the first half of 1992, writes Andrew Taylor.

The fall would have been less but for an increase in exceptional items from £592,000 to £872,000 to finance redun-

dancy payments. Reflecting the difficult trading conditions, the interim div-

idend is cut from 6p to 1p. Mr John Theakston, chief executive, said the work force had been reduced by 45 per cent over two years reflecting the decline in core markets of contracting, housing and commercial property development.

He warned that the outlook for next year for contracting and commercial property looked little better, although there were some hopes that the housing market might start to pick up

Turnover dropped from £190.9m to £149.6m. Earnings per share after exceptional items fell from 1.7p to 1p. Contracting incurred a small

loss, reflecting lower margins on contracts as the construction market had shrunk and competition had increased. Forward order book stood at just £145m at end-September. The loss was offset by the

sale of an office development west of Paris, while UK housing profits were boosted by the disposal of a site at Stevenage Mr Theakston said the housing market continued to deteriorate despite a rise in the number of homes sold

• COMMENT Higgs & Hill in terms of its

balance sheet has done well to limit the damage in the worst downturn construction and property markets have seen for at least half a century. Gearing is less than 10 per cent, which many contractors will envy The group, also, is making all the right noises about running its businesses for cash, reducing capital employed in housing and curtailing further property developments in France, Snain and the UK. Contracting traditionally weighted toward private sector commercial development, looks vulnerable, however. Commercial development is expected to be one of the last sectors to recover. Margins currently are paper thin to non-existent. The

housebuilding operations. which can expect to benefit was halved to £500,000. first from any recovery, are small by comparison. The shares until prospects improve dividend for the year is maintained at 4.3p with an unchanged final of 3.35p. are unlikely to attract many

Galliford halved as margins decline

A SHARP decline in margins in a depressed construction market and reduced interest income halved pre-tax profit at Galliford in the year to June

Pre-tax profit at the Leices tershire based group, which is involved in construction, specialist contracting and housing, fell to £3.03m (£6.39m) on reduced turnover of £213m (£225m).

Interest income fell to £500,000 (£1.5m) after £6m cash was used to finance the debt of its joint-venture partner that went into liquidation in March 1991. The directors decided last year to acquire the outstanding 50 per cent shareholding and a £2.18m exceptional charge had been provided for, A reduced exceptional charge of £703,000 this time resulted mainly from redundancies.

Mr Peter Galliford, the chairman, said that with tender margins in the construction sector under severe pres sure on reduced volume of work available, the group had concentrated activity in the less depressed sectors of social housing and water.

Profit in the construction division plunged to £1.62m (£4.73m) on turnover of £129m (£135m), reflecting the sharp competition in the open tender

Private housebuilding remained static at £1.87m (£1.9m) on increased turnover of £8.78m (£7.89m). Completions were up 11 per cent on the previous year,

Losses deepened in the material supplies and distribution division to £931,000 (£229,000) in difficult trading conditions. Improved profits from the specialist contracting division to £393,000 (£55,000) resulted from pipeline services and tiling although reduced piling

and alluvium. While net cash was reduced to £13.2m (£13.9m), bad debt Earnings per share fell 48 per cent to 2.37p (4.57p). The

demand caused losses at rock

Branson and James seek Dan-Air rescue

By Jane Fuller

MR RICHARD Branson, owner of Virgin Atlantic Airways. and Mr David James, chairman of Davies & Newman, are meeting today to try to thrash out a deal to secure the future of the Dan-Air airline.

It is nearly two weeks since Davies & Newman's shares were suspended at 23p as talks intensified.

The negotiations cover marketing and operational links hetween the two airlines, the possibility of Mr Branson investing £10m and the Virgin

airlme. Mr James would then use Branson's involvement to sweeten the pill of another share issue. Last year institutional investors, many new to the company coughed up £49_3m_

As Mr Branson's advisers have studied Davies & Newman's books, the impression has leaked of figures which

seem rather bleaker than was expected initially. One analyst's estimate that this year's pre-tax losses would be £10m has been described as much too low, with speculation

that the figure could be three times as much. As Davies & Newman is due to announce its first-half results shortly, it is refusing to comment. Last year the group lost

£35.5m pre-tax, mostly in the first-half. This year, costs have been cut, the charter fleet has been slimmed down and the group has had the use of the rights issue money. But there has also been the expense of launching new scheduled

The options emerging from

the Branson talks include: • For Davies & Newman to stick to its original strategy of building up the Gatwick-based scheduled operation, enhanced by the Branson link. Another injection of institutional cash

enables it to trade through the recessionary period. The question is whether Mr Branson believes the present set-up to be viable and whether the banks and investors will be prepared to give further finan-

cial support A salvage operation takes place, with both charter and scheduled operations pruned back to a profitable core.

The Virgin name might be put to this and institutional funds sought for the relaunch. Mr Branson walks away and Mr James seeks another partner to help the original plan reach fruition.

 All plans fail and the company goes into administration or receivership. This is being dismissed by the Davies & Newman camp.

Acorn Computer back in black

By Alan Cane

Acorn Computer Group, the computer maker in which Olivetti of Italy has a majority stake, started the year well, recording interim pre-tax profits of £511,000, compared with losses of £420,000. The result was helped by a fall in interest

costs from £538,000 to £139,000. Turnover for the six months to July 3 was up 19 per cent at £21.2m, against £17.9m, and earnings per share were 0.8p (losses of 0.6p).

DIVIDENDS ANNOUNCED Total last Corres -Total ponding dividend payment payment year уеаг Clarkson (H) 0.5 Nov 26fin Nov 27 ibstock Johnsen ... Merivale Moore . Dec 1 10.5 Nov 12 Dividends shown pence per share net except where otherwise stated.

Tilbury Douglas stable at Interim cut to 1p £7m aided by acquisition

TILBURY DOUGLAS, which is moving up rapidly to join the ranks of large UK contractors. increased first half pre-tax profits from £6.66m to £6.98m, writes Andrew Taylor:

They would have been lower than last year but for the inclusion of the former Robert M Douglas businesses, acquired in September 1991, for £85.3m in shares.

Earnings per share, on the increased capital, fell from 23.2p to 13.9p. The interim dividend is again 10.5p. Mr Michael Bottjer, chief

executive, said the group had embarked on a series of cost cutting exercises, "recognising that any industry wide recovery is unlikely in the near

About 500 jobs had gone following the merger, reducing the labour force to 4,000. Some £1m had been taken out of the ready-mixed concrete and form work division, mainly through redundancies.

The balance sheet, however. remained extremely strong. At the end of June net cash was Contracting, the biggest division, had benefited from its specialist water, pipework and

heavy electrical expertise.

which had continued to per-



held up better than for general contracting," said Mr Bottjer. Property, he said, had just

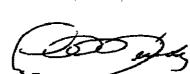
Michael Bottjer: cost cuts form well despite the hig downturn in UK construction work. "It is very difficult for companies which have no experience to break into these specialist markets and margins.

although under pressure, have

vatised electricity supply companies and from British Rail, which is in the process of upgrading signalling in the wake of recent rail accidents. Nonetheless, the company is not immune from the construction decline although profits should beat last year's £15m. A prospective p/e of about 20 suggests the attractions of Tilbury about broke even and would are already in the price.

6 I'M TOLD THAT NEARLY HALF OF ALL CORPORATE RELOCATIONS IN THE USA NOW MOVE TO THE SOUTH EASTERN SUNBELT STATES. Ten years ago we made that decision and set UP IN ALABAMA, AT THE HEART OF THE SOUTH AND WE'VE FOUND THAT IT BEST REPRESENTS ALL THE MANY BUSINESS AND LIVING ADVANTAGES THAT THE REGION OFFERS







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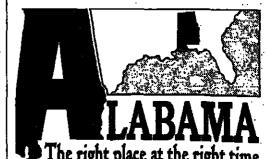


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Nickel producers fail to follow Inco's output cut

By Bernard Simon in Toronto

NICKEL PRODUCERS are currently showing little enthusiasm for production cuts similar to those announced by Inco earlier this week, despite a continuing surplus of metal on world markets.

Both the French producer SLN (Societe Metallurgique le Nickel) and Finland's Outokumpu said yesterday that they have no plans to cut output over the next few

Falconbridge, the biggest western producer after Inco. said yesterday that a produc-tion cut is "likely", but that no decision will be made for at least a few weeks. "Each operation is looking at its plans and reviewing options," the company said.

Inco plans to trim production by 40m lbs over the next 12 months, bringing next year's expected output down to 380m

However, the Toronto-based company also affirmed its determination to maintain its 25 to 30 per cent share of the western nickel market. Inco has bought substantial quantities of metal on the LME over the past year.

inco's cut will reduce worldwide production by about 3 per cent, but preliminary figures indicate that nickel output exceeded consumption by 14 per cent in the third

The imbalance is due largely than Inco's planned cut.

stainless steel industry, which accounts for some 60 per cent of nickel consumption, and a sharp rise in Russian

Mr Ray Goldie, metals analyst at Richardson Green shields in Toronto, predicted vesterday that "Inco's cutbacks won't be enough". With Russia unlikely to rein in its exports, Mr Goldie said the burden is likely to fall on western pro-ducers such as Falconbridge.

His prediction is confirmed by the lacklustre response of nickel prices to Inco's decision. Cash nickel on the London Metal Exchange fell back to close at \$6,620 a tonne, down \$70 on the day and \$85 on the week so far. SLN chairman Mr Yves Ram-

baud told Reuters that the renovation of one of three smelters had already reduced the company's production this year, and he saw no need to consider further cuts. The renovated smelter was brought back into service in August, but Mr Rambaud said that Era met's stocks are "very low" The group expects its nickel output to fall to some 39,000 tonnes in 1992, down from

43,500 tonnes in 1991. An Outokumpu official told Reuters that "We do not have need for such cuts and there are no plans for such mea-sures". He noted that the company's total nickel output of 13,800 tonnes a year is less

Nations agree to try to limit rubber supply

THE world's key rubber producers have agreed to draw up plans to co-ordinate their production and marketing strategies to beat weak prices, but Malaysia said the move will not amount to a producer cartel, Reuter reports from Kuala Lumpur.

The Association of Natural Rubber Producing Countries (ANRPC), whose members account for over 80 per cent of world output, said at the end of a two-day meeting in Malaysia that it has set up a committee to formulate the plans.

bring about a supply and demand balance which "would favour remunerative prices for

Senior Malaysian officials said the measure would not amount to a production cartel or production quotas, "It is merely aimed at maintaining a

balance between supply and demand. It will help avoid an excess supply," one said. Rubber prices have been declining steadily for the past three years, falling to their lowest since 1986 in December. They have recovered only

lightly since. Malaysian Primary Industries Minister Lim Keng Yaik told the meeting on Tuesday that the present trend is towards a supply glut due to the slowdown in industrial activity in Western countries as well as higher Asian and

The London-based International Rubber Study Group has forecast a rubber surplus of 150,000 tonnes in 1992, down from a 180,000 tonne surplus in 1991, Mr Lim said, though this could be even higher because OECD growth prospects have been downgraded.



Greek farmers dump half their bumper peach crop

With falling exports and limited canning capacity, the surplus just keeps growing, writes Kerin Hope

tributes to increased surpluses

as individual farmers follow

their neighbours' example and

switch to peach growing. Peach

production has almost tripled

since the early 1980s, with new

cut higher into the hillsides

Production of yellow cling-

stones will probably reach

650,000 tonnes this year, up

from 480,000 tonnes in 1991. Yet

processing capacity is stuck at 250,000 tonnes.

ered top quality and we'd have

no difficulty in raising exports

Mr Eleftherios Saitis of Kronos,

another large packer. "The

canned peach market may be stabilising but there's a future

in products like concentrate.

pulps and peach chips for

were set up by agricultural co-

operatives a decade ago when farm exports were still subsi-

dized and interest rates for

agricultural loans lagged far

No longer protected by subsi-

dies, the co-operatives are deep

in debt to the state-controlled

Agricultural Bank, while pri-vate canners like Mr Saitis say they cannot afford to expand

with borrowing rates at around

But so long as support prices

remain attractive, the growers

will go on producing. "It will

be hard to make peach farmers

change crops unless the EC

starts paying compensation for

uprooting trees. Their income

is still satisfactory even if they

drive their whole crop to the

dump," says Mr Antonis Kan-

ouras of Agrotiki Kolindros, a

WORLD COMMODITIES PRICES

behind the inflation rate.

here seems little chance

that capacity will soon

increase. Most canneries

flavourings."

30 per cent.

"Greek peaches are consid-

we had the capacity," says

orchards planted on terraces

around Skydra.

powerful smell of fer- three acres, a factor that con-A menting fruit escapes from trucks lumbering up a hillside outside Skydra, the centre of commercial peach-growing in Greece. A bulldozer works full-time at the dump, pushing piles of unsold peaches into an unculti-

vated valley. This year marked a record Greek peach harvest, estimated by growers at over 900,000 tonnes. But the surplus is also of unprecedented size, with more than half the crop being transported straight from

orchards to the dump. Greece, together with the US and South Africa, is one of the world's biggest exporters of canned peaches. Over 90 per cent of the processed crop is sold abroad, much of it to supermarket chains from Britain to Japan. Greece is also a big producer of table

Despite cuts in EC support prices this year and next -both for marketed produce and withdrawals - the surplus will go on rising as more orchards come into full yield.

"The EC support prices were extremely high, even for withdrawal, and until the late 1980s there was always a shortage of industrial peaches. Growers thought production could go on expanding indefinitely," says Mr Alexander Protopap pas of Conex, a processor.

The growing is done by 20,000 small farmers in the northern Greek provinces of Verria, Edessa and Naoussa, where a cooler climate favours fruit production. In recent years, there has been a shift to yellow clingstone varieties for processing, considered by farmers a safer option than growing table peaches for the volatile European export market.

However, the average ouras of Agrotiki Kolindros orchard size is only about local growers' co-operative

COCOA - London FOX

689 715 732

Turnover: 8899 (4016) lots of 10 tonnes ICCO Indicator prices (SDRs per tonne). price for Oct 7 777.59 (768.03) 10 day aw

Close Previous High/Low

Previous High/Low

790 775 816 800 926 820 shortages at the cannerles in July and September, at the beginning and end of the processing season, because growing policies were never co-ordinated with the processors.

"If there were more produc ers of early and late cropping varieties, we could prolong the season for a few weeks and cover more of the demand for exports," says Mr Kanouras.

However, the industrial peach sector is still well off by comparison with what has hap-pened to producers of table peaches. This year's crop, estimated at 230,000 tonnes plus another 100,000 tonnes of nectarines, was also a record. But a disastrous export season means that the withdrawal rate is even higher than for industrial peaches.

The conflict in the former

Yugoslavia has blocked the main export route to western Europe. The alternative route to the Munich fruit market, by ferry to Italy or by road through Hungary, takes 24 hours longer and costs onethird more at times of peak demand for refrigerated trucks.

Greek peaches normally command premium prices because of their quality. But that edge may be lost after an extra day on the road. Moreover, wholesale prices for peaches have tumbled following bumper harvests across southern Europe. This year, exports of Greek table peaches and nectarines have fallen by

35 per cent to 60,000 tonnes. "Costs are so high in proportion to prices that the Greek exporters are scarcely breaking even this year. The recession has shrunk demand in western Europe where peaches are seen as a luxury fruit," says Mr Constantine Karagiorgas of Incofruit, the Greek fruit exporters' association.

Silver stocks reported to be insensitive to higher prices

By Kenneth Gooding, Mining Correspondent, in New York

WORLDWIDE silver stocks are huge but only I per cent or 146m troy ounces would be attracted into the market by prices up to \$5 a troy ounce, according to a study by the Charles River Associates consultancy group. At \$10 a ounce, 541m ounces, or 2.8 per cent of total stocks, could potentially enter the market, it suggests.

Even prices up to \$20 an ounce would draw only 2.2m ounces or 12 per cent out of stocks. It is also unlikely that stock would immediately make its way to market but instead would be drawn out over some years if higher silver prices prevailed, said Mr Firoze Katrak, Charles River vice

president.
This is believed to be the first assessment of worldwide silver stocks. It was produced for the Washington-based Silver Institute, an international association of silver miners, refiners, fabricators and manufacturers.

Mr Katrak strongly defended the independence of the study. While the institute had set the terms of reference - the study was to estimate silver stocks by type and geographical region and to estimate the liquidity of those stocks in terms of the prices and conditions under which they would flow into the market – the institute had no right to

change the report in any way. The Charles Rivers organisa tion's reputation was at stake and, said Mr Katrak: "To use a

assumptions made about silver stocks not available to the market. "I am always worried when I am told 84 per cent of stocks of anything are not available." However, Mr Milling-Stanley said the study was a very useful addition to the literature of silver."

The study suggests that the principal reasons stocks would not be drawn into the market

• Those held by investors, at

524m ounces, are less than 40 per cent of total worldwide bullion stocks. Most builion stocks are held largely as business stocks which companies need for their normal operations. These business stocks have generally been stable relative to consumption and not available to the market except at very high silver prices and even then on a transient basis; Most coins and medalijons are held either for their numismatic or collectible-value or as family holdings. Only a small portion is price responsive and available to the market;

 Most silverware and art forms of silver is not available under normal market conditions largely because small holdings are spread among a vast number of individuals who have a possessive or emotional attachment to them. Large holdings are owned by churches or other religious groups or are held for the high relative value of their art form, not for their silver content.

the silver market. Mr George Stocks of Silver Around The World, \$450, from the Silver Institute, Suite 240, 1112 Sixteenth Street NW. Washington DC 20036, US. ine the report to check the

Silver Potential stocks available at different prices (troy ourices bn): \$16 \$15 \$20 per troy ounce

like virginity, you only lose it

once and we are not in this

business to lose our virginity."

that fabrication demand for sil-

ver had exceeded total supply

for the past two years and a 50m ounce deficit was forecast

for 1992. "This demonstrates

that, if nothing else changes,

stocks available at dollars five

an ounce or less would be exhausted in about three years," said Mr Dennis Wheeler, president.

Analysts' immediate reaction

to the long-awaited study was

to suggest that it would have a

relatively neutral impact on

Milling-Stanley, analyst at Leh-

man Brothers, said: "It is bull-

ish, but not especially bullish."

He said he wanted to exam-

The institute pointed out

Danish pork returned by Swedes

SWEDEN and Norway are sending back substantial quantities of Danish pigmeat on the grounds that it contains salmo-

nella bacteria. "The Swedes are hysterical." commented Mr Benth Sloth. chairman of the Danish Bacon

alleged that the Swedes are more interested in protecting their own market than they are in the health of their

The Swedes, said a council press release, are looking very hard for bacteria, taking 10 times as many samples as they used to do, as well as applying the most stringent regulations

The shipments of pork tenderioin that have been refused have been sold in Denmark without any objections by the veterinary authorities or the

Consumer Council. However, the Danish veterinary directorate is already initiating a "microbiological action plan" which it says should reduce the incidence of

Australia may review wheat monopoly

By Kevin Brown in Sydney

THE Australian government indicated yesterday that the Wheat Board's export monopoly may be abolished if the Uruguay Round negotiations of the General Agreement on Tariffs and Trade (Gatt) are

Mr Simon Crean, primary industries minister, said the board's single-desk marketing

tection for farmers from the continuing export subsidies world trade in agricultural battle between the European Community and the US.

He said immediate deregulation of export sales would expose individual sellers of Australian wheat to the danger of being "picked off" in the "corrupted" world market. However, Mr Crean said the

government would review the

monopoly if the Gatt negotiations led to a liberalisation of suggested recently that agreement may be possible soon.

The government has come under pressure to deregulate the wheat market from international grain traders and US farmers' organisations, which claim the board distorts trade by manipulating export prices.

MARKET REPORT

Three-month COPPER prices, which were in retreat early, rallied above \$2,300 a tonne in afternoon trading on the LME, aided by the trend in New York. But dealers said as the fundamental picture is negative with economic activity

sluggish and consumers unwilling to chase prices higher the market could turn down again, GOLD was steady on the London buillon exchange as the dollar pulled back sharply on rumours that the US Fed was planning to cut rates. The metal was fixed at \$350.50 a troy ounce in the afternoon, up 50 cents from its early setting. A rise in

US equities and positive US **London Markets**

	NCEO	
SPOT MARKETS		
Crude oil (per barrel FOB)(i	Vov)	÷ 07 -
Cubel Brent Blend (deted) Brent Blend (Nov) W.T.I (1 pm est)	\$18.35-8.45z \$20.45-0.50 \$20.55-0.60 \$21.95-2.05z	+0.10 +.175 +.125 +.075
Oil products (NWE prompt delivery per	tonne CIF	+ or -
Premium Gasoline Ges Oli Heavy Fuel Oli Naphthe Petroleum Argue Estimates	\$218-219 \$199-200 \$101-103 \$101-192	-1.5 +2 +1
Other		+ or -
Gold (per troy oz) 4 Silver (per troy oz) 4 Platinum (per troy oz) Palladium (per troy oz)	\$350.65 378.5c \$356.80 \$95.66	-0.1 +3 . +0.05
Copper (US Producer) Lead (US Producer) Tin (Kuela Lumpur market) Tin (New York) Zinc (US Prime Western)	105.0c 37.8c 15.61r 289.5c 62.0c	+0.02 -1.5
Cattle (live weight) Sheep (live weight)†• Pigs (live weight)†	108.70p 75.75p 80.31p	+0.91° +1.73° +5.40°
London dally sugar (raw) London dally sugar (white) Tale and Lyle export price		+1.3 +2 +1.5
Barley (English feed) Meize (US No. 3 yellow) Wheal (US Dark Northern)	£132.75 £140.0 Unq	+ 1.75
Rubber (Nov)♥ Rubber (Dec)♥ Rubber (KL RSS No 1 Oct)	68.25p 58.25p 222.5m	+ 1.25 + 1.5
Coconut all (Philippines)§ Paim Oil (Malayslan)§ Copra (Philippines)§ Soyabeans (US) † Cotton "A" index Woollops (64s Super)	\$495.0y \$400.0 \$315.0 £145.0 53.80c 413p	+5 +2.5 +2 +8
C s tonne unless otherwise c-cents/lb. r-ringgil/kg:i- u-Oct. w-Oct/Nov. z-Nov. average latstock prices." c	Oct/Dec y-N tMest Com	kov/Dec miasion

retail sales figures buoyed PLATINUM, which recovered to just below resistance at \$360 after fixing earlier at \$356.80. But reports of a Japanese market awash with platinum and Tocom investors selling nearby positions weighed on sentiment. London COCOA ended near the day's lows following origin selling. News that the German arind for the third quarter was 12:9 per cent above last year appeared to have little effect on prices. "The fact that the origins are selling means there's

	o, on	dealer	ouiu. Ndose
-	ubaea	HOIR M	ers;us
SUGA	R - Lond	on FOX	(\$ per ton
Rew	Closy	Previous	High/Low
Овс	194.00	194.00	192.00
<i>Mar</i> Mey	193.90 195.00	192,00 196,00	<i>191.0</i> 0 195.00
White	Close	Previous	High/Low
Dec	266.90	256.80	256.50 265.50
Mer	256.50	250.30	256.50 256.10
May	259.00	259.00	258.50 257.80
Aug	254.00	284,50	264.00 263,30
Turnov	er: Raw 1	04 (128)lots	of 50 tonnes.
White 5	327 (1894)	Paris- Wh	ise (FFr per ton
	86.89 Mar		
CAUDI	E OIL - I		\$/54
	Late		
Nov Dec	20,57		20.62 20.44
jan jan	20.59 20.54		20.63 20.48 20.68 20.49
Feb	20,43		20.43 20.42
Jun	20.00		20.00
IPE Ind	ex 20.45	20.32	20.45
QAS O	IL - IPE	<u> </u>	\$/tor
	Close	Previous	High/Low
	0.030		
~-	100 50	100 50	400 TE 100 EA
Oct	192.00 196.75	190.50	192,75 190,50
Nov	192.00 195.75 197.50	190.50 194.50 198.50	192.75 190.50 196.25 194.00 198.25 196.50
Nov Dec Jan	195.75 197.50 197.76	194,50 196,50 196,75	195.25 194.00 195.25 195.50 198.00 196.00
Nov Dec Jan Feb	195.75 197.50 197.76 193.75	194,50 196,50 196,75 192,75	196.25 194.00 198.25 196.50 198.00 196.00 194.00 192.00
Nov Dec Jan Feb Mar	195.75 197.50 197.76 193.75 187.25	194,50 196,50 196,75 192,75 186,00	195.25 194.00 198.25 196.50 198.00 196.00 194.00 192.00 187.75 185.75
Nov Dec Jan Feb Mer Apr	195.75 197.50 197.76 193.75 187.25 182.50	194,50 196,50 196,75 192,75 186,00 182,00	196.25 194.00 198.25 196.50 198.00 196.00 194.00 192.00 187.75 185.75 183.25 181.25
Nov Dec Jan Feb Mar Apr May	195.75 197.50 197.76 193.75 187.25	194,50 196,50 196,75 192,75 186,00	195.25 194.00 198.25 196.50 198.00 196.00 194.00 192.00 187.75 185.75
Nov Dec Jan Feb Mar Apr May Jun	195.75 197.50 197.76 199.75 187.25 182.50 179.25 178.25	194,50 196,50 196,75 792,75 186,00 182,00 176,75 177,75	196.25 194.00 198.25 196.50 198.00 196.00 194.00 792.00 187.75 185.75 183.25 181.25 179.26 179.00
Nov Dec Jan Feb Mar Apr Mey Jun	195,75 197,50 197,76 193,75 187,25 182,50 179,25 178,25 97 21442 (1	194,50 196,50 196,75 196,75 196,75 186,00 182,00 176,75 177,75	198.25 194.00 198.25 195.50 198.00 196.00 194.00 192.00 187.75 185.75 183.25 181.25 179.25 179.00 178.60 178.25
Nov Dec Jan Feb Mar Apr May Jun Turnove	195.75 197.50 197.75 193.75 187.25 182.50 179.25 178.25 or 21442 (7	194,50 198,50 198,75 192,75 186,00 182,00 178,75 177,75 20335) lots	196.25 194.00 198.25 196.00 198.00 196.00 194.00 196.00 187.75 185.75 183.25 181.25 178.26 179.00 178.50 178.25 of 100 tennes
Nov Dec Jan Feb Mer Apr May Jun Turnove PRUIT Outsp	195.75 197.50 197.75 197.75 187.25 182.50 179.25 178.25 or 21442 (7	194,50 198,50 198,50 198,75 182,75 186,00 182,00 178,75 177,75 20335) lots FFABLES are the b	195.25 194.00 198.25 195.50 198.00 196.00 194.00 792.00 187.75 185.76 183.25 181.25 179.25 179.00 178.50 178.25 of 100 tennes
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SUGAR	- Lond	on FOX	(S per ton	far	2157 /2	498) lots of	5 torries	
ler .	Closy	Previous	High/Low	· ICO lak	deator pri	ices (US c	ents per po	und) forw
Эвс	194.00	194.00	192.00			ly 60.82 (50	1.48) 15 day	Everage
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umave	21442 (203349 lots	of 100 tennes	- May Jun	133.60 133.75	132.00	133.75 133	
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	& VEGS		est fruit buy at	Barley	Close	Previous	High/Low	
12-25p	each (12-	25p) this w	eak reports the	Nov	123.25	121,15	123.25 123	
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and Ki	wiffult at	16-20p each	h (16-20p) are lenty of English	Mar	130.00	126.10	130.10 129	
caulific	vou vaye.	d shoot at	35-50p each	Тигпоче	ur Wheat	582 (276),	Barley 475	(536).
(35-50)	s), elong y	with an abu	ndent supply of		er loss of	100 Tonnes	• .	
of colo	es er g-12 orful Aus	pain (0-12 Inmai seler	p). There are total f vegetables in	·		· · ·	-b Codd:	
the she	ops, choo	se from be	etroot at 15-25p a	PIGS -	London		sh Settleme	uich buich
IP (30-	35p), Lelle	Posto in seach (80-6	d Radicchio	L _	Close	Previous	High/Low	
tractitio	malare t	omatoss At	55-65palb	Jen	95.5	95.5		
145.52	أمم امدها	A-D - 10-41	in a head		2 4-2 1-4			

	ETAL EXC	PORLAR	-		Prices	peliqque	by Amaiga	mated Me	tal Tra
	Close	Previ		High/Low		M Official	Kerb ck		en kate
Aluminium,	99.7% ports	r (S per	tonne)				Total d	ally turnoy	er N/
	1198-7	1196		1188.5	11	188.5-9			
	1219-20	1220-		1222/1206		211.5-2	1218-7	195	,304 k
Copper, Gra	de A (E per	tonna)		_	-		Total d	ally turnov	rer N//
Cesh	1352-3	1321-		1350/1349		48.5-9.5			
3 months	1381-2	1353-	<u> </u>	1384/1365	18	379-80	1382-3	148	.297 k
Lead (£ per	lonne)						Total d	aily tumov	rer N/
	326-7	322-3		323.5		3.5-3.75			
	339-40	335-6		340/329.6	33	6-6.5	337-7.5		40 lot
Nickel (3 per	tonne)						Tetal d	ally turnov	er N/
	3615-25	6885		6638/8630		38-9			_
	3890-700	6760-	<u> </u>	6730/6655		01-5	6700-10		00 lot
Tim (Siper to							I GENE C	ally turnov	47 /4/
	5255-60 5320-30	. 6280- 6350-		6350/6315		M0-50 110-20	6330-40	11.0	197 lot
Zinc, Specie				W-30-00-14				Bily burnov	_
	_ <u>-</u>					85-7	10001 0	DIT INTRO	OI ION
	1174-5 1191-2	1184. 1201.		1205/1181		85-6	1190-1	96.0	157 lob
LME Clesing									
SPOT: 1.689	,	3 топ	ths: 1.6	573	6 m	ionths: 1.6	455	9 mor	nths: 1
LONDON B					Ne	Y W	ork		
(Prices supp	lled by N N	Rothsc	thild)		COL 1	100 100	oz.; Sitroy o		
Gold (tray o			equive	-last			Previous		
	\$ price		. equise	-	_	Close		High/Lov	
Close Opening	360.50-350 360.10-350				Oct Nov	349.9 350.2	351.0 351.4	351.0 0	350,
Morning fix	350.00	2	07.101		Dec	351.0	352.2	352.2	350,
Alternoon fo			07.335		Feb	362.2	353.6	353_4	352,
Day's high	350.90-351				Apr	353.3	354.B	354.7	353,
Day's low	349.50-349	1,50			Jun	354.6	356.2	0	0 358.
Loco Len Mi	Mas Gold Le	ending F	lates (V	ra USS)	Aug Oct	356 t 357.7	357.7 359.3	356.4 D	0
1 month	1.98	6 mor	aths	2.07	Dec	359.3	380.9	ŏ	ō
2 months	1.96	12 mg	nths	2.15	PI AT	MUINE SO N	roy oz; S/tro	W 0Z.	
3 months	1.96					Close	Previous	High/Lou	
Silver fix	p/troy oz		Souse	squiv	ᅙ	364.0	360.0	359.0	352
Spot	221.95		73.35		Jen	353.0	357.0	357.0	350,
3 months 6 months	226.80 231,25		76.25 79.10		Apr	353.0	355.6	355.5	351.
12 months	239.85		85.45		Jul	353.0	356.5	355.0	353,1
					Oct	358.5	358.5		
BOLD COIN					SHLVE	PR 5,000 P	oy oz, cent	a/troy oz.	
	\$ price		viupe 2	elent		Close	Previous	High/Low	
Krugerrand	350.50-3		207.00-2	208.00	Oct	373.2	372.3	375.0	375.
Maple leaf	381.35-30		• •=		Nov	373-8	373.0	220 f	979
New Saverel	gn 63.00;-85.		48.00-50	I JUG	Dec	375.3 378.5	374.5 375.7	379.0 0	372
TRADED OF	770NS				Mar	378.8	378.0	382.5	376.
Atuminium K		Calls		- - -	May	381.0	380.2	381.0	379.0
					Jul Sep	363.2 385.6	38 <u>2.</u> 4 384.8	386.0 0	381 : 0
	o mine Oct		Oct	Jen	Dec	389.5	386.7	396.0	365.5
			3	7	Jen	390.6	389.8	0	_0
1150	58	86						700 Bur. eas	nts/No
1150 1200	58 20 3	50 25	13 46	20 44		GRADE C	OPPER 25,0	JUL NO. CUI	
Strike price 1150 1200 1250 Copper (Grae	30 3	50	46	44		GRADE C	Previous	High/Low	
150 1200 1250 Copper (Grae	20 3 3e A)	50 25 Calls	46 	ute			Provious 100.70		100.
150 1200 1250 Copper (Grad 2200	30 3	50 _25	46	44	HIGH Oct Nov	100,60 101,00	Previous 100,70 101.20	101.30 102.00	100.
150 1200 1250 Copper (Grad 1200 1300	20 3 5e A) 94	50 25 Calls	46 4	44 Pute 18	HIGH Oct Nov Dec	100,60 101,00 101,60	Provious 100.70 101.20 101.70	High/Low 101.30 102.00 102.60	100. 100. 101.
1150 1200 1250 Capper (Grad 2200 2300 2400	20 3 5e A) 94 26 3	50 25 Calls 130 65 27	46 4 36 112	18 52 112	HIGH Oct Nov Dec Jan	100,60 101,00 101,00 102,00 102,40	Provious 100.70 101.20 101.70 102.20 102.60	High/Low 101.30 102.00 102.50 102.50 102.50	100. 100. 101. 102.
1150 1200 1250 Capper (Grad 2200 2300 2400	20 3 56 A) 94 26 3 Nov	50 25 Calls 130 65 27 Jan	46 4 36 112 Nov	18 52 112	Oct Nov Dec Jan Feb Mar	100,60 101,00 101,60 102,00 702,40 102,80	Previous 100,70 101,20 101,70 102,20 102,60 102,90	High/Low 101.30 102.00 102.50 102.50 102.50 103.70	100. 100. 101. 102. 102.
1150 1200 1250 Capper (Grad 2200 2300 2400 Caffee	20 3 5a A) 94 26 3 Nov	50 25 Calls 130 65 27 Jan 98	46 4 36 112 Nov	18 52 112 Jan	Oct Nov Dec Jan Feb Mar Apr	Close 100,60 101,00 101,50 102,00 102,40 102,80 102,95	Previous 100.70 101.20 101.70 102.20 102.60 102.60 103.00	High/Low 101.30 102.00 102.50 102.50 102.50 103.70	100. 100. 101. 102. 102. 102.
1150 1200 1250 Copper (Grad 2200 2300 2400 266e	20 3 56 A) 94 26 3 Nov	50 25 Calls 130 65 27 Jan	46 4 36 112 Nov	18 52 112	Oct Nov Dec Jan Feb Mar	Close 100,60 101,00 101,60 102,00 102,40 102,80 102,95 103,30 103,50	Previous 100,70 101,20 101,70 102,20 102,60 102,60 103,50 103,50	High/Low 101.30 102.00 102.50 102.50 102.50 102.50 103.70 0 104.30	100. 100. 101. 102. 102. 102. 0
1150 1290 1250 Copper (Grad 2200 2200 2400 Coffee 750 350	20 3 26 A) 94 26 3 Nov 80 37	50 25 Calls 130 65 27 Jan 98 62 36	46 4 36 112 Nov 1 8 31	44 18 52 112 Jan 9 23 47	Oct Nov Dec Jan Feb Mar Apr May	Close 100.60 101.00 101.60 102.00 102.40 102.95 103.30	Provious 100.70 101.20 101.70 102.20 102.60 102.90 103.00 103.35	High/Low 101.30 102.00 102.50 102.30 102.50 103.70 0 104.30	100. 100. 101. 102. 102. 102. 0 103.
1150 1290 Copper (Grad 2290 2290 2400 Coffee 750 800 350 Cocce	29 3 5e A) 94 26 3 Nov 80 37 10	50 25 Calls 130 65 27 Jan 96 82 36 Mar	46 4 36 112 Nov 1 8 31	44 18 52 112 Jan 9 23 47 Mar	Oct Nov Dec Jan Feb Mar Apr May Jun	Close 100,60 101,00 101,60 102,00 102,40 102,80 102,95 103,30 103,50	Previous 100,70 101,20 101,70 102,20 102,60 102,60 103,50 103,50	High/Low 101.30 102.00 102.50 102.50 102.50 102.50 103.70 0 104.30	100. 100. 101. 102. 102. 102. 0 103.
1150 1290 1250 Copper (Grad 2200 2200 2400 Coffee 750 350	29 3 3 4e A) 94 26 3 Nov 80 37 10 Dec	50 25 Calls 130 65 27 Jan 98 62 36 Mar	46 4 36 112 Nov 1 8 31 Dec	44 18 52 112 Jan 9 23 47 Mar 5	Oct Nov Dec Jan Feb Mar Apr May Jun	Close 100,60 101,60 101,60 102,00 102,40 102,95 103,30 103,50 103,60	Previous 100.70 101.20 101.70 102.20 102.60 102.60 103.00 103.50 103.50	High/Low 101.30 102.00 102.50 102.50 102.50 102.50 103.70 0 104.30 0	100. 100. 101. 102. 102. 102. 0 103.
1150 1200 1250 1250 2200 2300 2400 2606 2606 2606 275	29 3 5e A) 94 26 3 Nov 80 37 10	50 25 Calls 130 65 27 Jan 96 82 36 Mar	46 4 36 112 Nov 1 8 31	44 18 52 112 Jan 9 23 47 Mar	Oct Nov Dec Jan Feb Mar Apr May Jun	Close 100.50 101.00 101.50 102.00 102.80 102.85 103.30 103.50 103.60	Previous 100.70 101.20 101.70 102.60 102.60 102.60 103.50 103.50	High/Low 101.30 102.60 102.60 102.50 102.50 102.50 103.70 0 104.30 0 104.50	100. 100. 101. 102. 102. 102. 0 103.
1150 1200 1200 Copper (Grad 2200 2300 2400 Coffee 750 800 550 Cocces 800 556	20 3 34 26 3 Nov 80 37 10 Dec	50 25 Calls 130 68 27 Jan 98 82 36 Mar 131 110 91	46 4 36 112 Nov 1 8 31 Dec	44 Puts 18 52 112 Jan 9 23 47 Mar 5 9 15	Oct Nov Dec Jan May Jun Jul Salkaa	Close 100,60 101,00 101,50 102,00 702,40 102,80 102,95 103,30 103,50 103,60 Close	Previous 100.70 101.20 101.70 102.20 102.80 102.80 103.50 103.50 Previous	High/Low 101.30 102.60 102.60 102.50 102.50 102.50 103.70 0 104.30 0 104.50	100. 100. 101. 102. 102. 102. 0 103. 0
1150 1200 1200 Copper (Grad 2200 2300 2400 Codice 150 300 300 300 300 300 300 300 300 300 3	29 3 94 26 3 Nov 80 37 10 Dec	50 25 Calls 130 68 27 Jan 98 82 36 Mar 131 110 91	46 4 36 112 Nov 1 8 31 Dec 1 2 6	44 Puts 18 52 112 Jan 9 23 47 Mar 5 9 15 Dec	Oct Nov Dec Jan Feb Mar Apr Jun Jul	Close 100,80 101,00 101,50 102,00 102,90 102,80 102,80 103,50 103,50 103,60 Close 8.87	Previous 100.70 101.27 101.70 102.20 102.60 102.60 103.00 103.50 103.60 P11" 112.00 Provious 6.63	High/Low 101.30 102.00 102.00 102.50 102.30 102.50 103.70 0 104.30 0 104.50	100 100 100 101 102 102 0 103 103
1150 1200 1200 Copper (Grad 2200 2300 2400 Coffee 750 300 550 Cocces 755 300 300 300 300 300 300 300 300 300 3	20 3 34 26 3 Nov 80 37 10 Dec	50 25 Calls 130 68 27 Jan 98 82 36 Mar 131 110 91	46 4 36 112 Nov 1 8 31 Dec	44 Puts 18 52 112 Jan 9 23 47 Mar 5 9 15	Oct Nov Dec Jan May Jun Jul Salkaa	Close 100,60 101,00 101,50 102,00 702,40 102,80 102,95 103,30 103,50 103,60 Close	Previous 100.70 101.20 101.70 102.20 102.80 102.80 103.50 103.50 Previous	High/Low 101.30 102.60 102.60 102.50 102.50 102.50 103.70 0 104.30 0 104.50	100 100 100 101 102 102 0 103 103

RUO		ht) 42,000			Ch	icag	jo		
lov	21.98	Previous 21.89	High/L0 22.04	21.96	SOYA	BEANS 6	000 bu min; o	cents/6015 b	unhei
ec.	21,90	21.82	21.96	21.88	_	Close	Previous	High/Low	
an	21.82	21.78	21.86	21.78	Nov	530/0	530/6	531/0	528
eb Aar	21.69 21.55	21.62 21.50	21,74 21,57	21.66 21.53	Jan	535/2	535/2	836/2	533
φr	21,40	21.85	21.45	21.41	Mar	541/B	841 <i>1</i> 2	542/2	539
Aay	21,33	21.27	21.35	21.31	May Jul	849/0 556/2	<i>549/2</i> 666/0	549/4 557 <i>1</i> 0	547 654
un ul	21.22 21.10	21.17 21.08	21.24 21.15	21.21 21.12	Aug	558/4	658/2	559/4	556
	21.07	21.00 21.00	21.07	21.04	Sep	558/4	559/2	٥	0
_	<u> </u>	2,000 US gr			Nov_	584/2	. 564/6	565/0	563
			High/Lo		SOYA	BEAN OIL	. 50,000 lbs; (d/winec	
ov .	Latest 64.25	Previous	64.40			Close	Previous	High/Low	
ec	66.00	63.83 64.82	65.20	84.15 64.90	Oct	18.21	18.24	18.25	18.
an	85.30	64.94	65.45	65.25	Dec Jan	18.41	18.49	18.49	18.
ab	64.15	83.88	64.30	64.15	Jan Mar	18.56 18.78	18.57 18.90	18.65 18.87	18.1 18.7
der opr	61.70 59.60	61.43 59.33	61.80 59.70	61.70 59.80	May	19.02	19.15	18.13	19 0
lay	58.05	57.88	58.05	58.05	Jul	19.23	19.37	19.37	19.2
un	57.16	56.93	57.15	57.10	Aug Sep	19.32 19.42	19.46 ≀9.5 5	19.48	19.5
alg uí	57.00 57.28	56.73 57.28	67.10 0	66.90 0		14176		19.52	19.4
_		es;\$/tonne		-	SOYA	BEAN ME	AL 100 lone;	S/ton	
	Close	Previous	High/Lo			Close	Previous	High/Low	
ec	979	1033	1010	966	Oct	179.5	180.8	180.8	179
lar	1030	1077	1056	1018	Dec Jan	181,2	181.7	181.8	181
lay	1080	1113	1083	1060	Mar	181.6 181.8	182.0 182.0	182.1 182.4	181
ᄖ	1090 1120	1140	1110	1091	May	182.4	182.3	182.8	181 182
ep ec	1153	1170 1203	1140 1170	f 130 1160	لتبال	184.2	184.1	184,6	183
Aur	1 191	1241	1210	1200	Aug Sep	185.0 186.0	. 184.8 185.7	185.3 186.3	184 185
lay ul	1221 1258	1271 1308	1236 0	1226 0					
		,500lbs; cor		<u> </u>		Close	min; cents/5		
	Close	Previous	High/Los		Dec	209/0	Previous	High/Low	
			<u> </u>		Mar	217/6	210/6 219/4	210/2 219/2	208/
lec far	60.40 62.10	59,80 61,60	60.50 62.25	58.60 60,10	May	223/5	225/4	225/0	223
lay	65.70	66.00	65.90	63.65	Jul Seo	228/4	230/2	229/6	22BJ
ul	67.35	66.70	67.50	65,35	Dec	231/6 235/2	233/0 238/4	232/2 238/2	231/ 235/
ec ec	68.85 71.00	88, 15 70,46	89.25 71,50	67.05 70.00	Mar	242/0	243/2	0	0
lar	72.75	72.50	73.75	73.75	WHEA	T 5,000 b	i min; censsi	BOLD-bushel	
						Close	Previous	High/Low	
πœ	DN 50,000	cents/lips			Dec	340/0	343/2	342/4	338
	Close	Previous	High/Lo		Mar May	341/2 334/0	344/4 335/4	344/2	340
)ct	56.50	57.90	58.60	56.50	Jul	315/6	318/0	335/4 318/0	332/
)ec	53.26	53.63	53.30	53.16	Sep	321/4	323/4	0	0
187 1	53.63 54.68	54.07	54.90 55.50	53,62	Dec	332/4	333/4	333/0	332
Aay ul	55.30	54.68 55.23	55.75	54.58 55.20					_
ict	55.27	55.85	0	0	TIME	ATTLE 40	.000 lbs; cen	ts/lbs	
ler Ler	56.45 57.00	56.25 67.00	56.80 0	56.60 0		Close	Previous	High/Low	
			<u> </u>		Oct	75,700	75,450	75.750	75.5
-		15,000 lbs;			Dec Feb	73,425	73.225	73,575	73.3
	Close	Previous	High/Lo	<u>*</u>	Apr	71.275 72.275	71.250	71.500	71.2
gv	103,40	106.60	105.25	101.60	Jun	69.225	59.350	72,450 69,400	72.2 69.2
an far	104 05	108.60 107.20	105.30 106.25	101.70 102.75	Aug	68,000 68,200	67.975	68, 150	68.0
lay	105.00	107.85	107,50	103.70			68.300	68,400	68.2
er Ab	104.25 104.25	107.55 107.15	107.00 105.00	104.00	E II		00 (b; cents/i	D4	
lov	104.25	107.15	105.00	104.25 105.00		Close	Previous	High/Low	
ELÎ	104.25	107.15	105.00	105 00	Oct	43.275	42.800	43,550	42.8
lar	104,25	107.15	0	0	Dec Feb	43.725 42.825	43.200 42.050	43.850	43:31
_					Apr	40.825	40.200	42,800 41,060	42.11 40.21
NDE	CES				Jun Jul	45.675 43.360	45.025	45.750	45.0
		e: Septemb	or 18 193	1 = 10m	Aug	43.950	44.900 43.550	45,600 43,950	44.90
	Oct.6	Oct.7		0 yr ago	Oct	40.950	40.700	41.000	40.80
	1588.3	1676.5	1501,6	1824.3	PORK		40,000 lbs; ce	nts/lb	
XX	JONES (8	eso: Dec. ;	31 1974 -	100)		Close	Previous	High/Low	
	Oct.7	Oct.6		o yr ago	Feb	39.525	38.875	39:650	38.0
ipat	113.42	113.59	118.24	114,49	Mar May	39.100	38.700	39.350	35.8
	s 114.83	114.94	114.71			40.575	40.125	40.700	40.40
				123.31	Ju	40.900	40.400	41.000	40.90

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Friday October 9 1992

In five years the island has changed course. Once an autocracy, it is now a quasi-democracy. Its frosty relations with mainland China have thawed, and import and other barriers are slowly being removed. But there has been a price to pay. Angus Foster reports

Strength wins recognition

JUST five years ago Taiwan was an autocracy run by the Nationalist government which fled China's mainland after the civil war in 1949. The economy was successful, but highly discriminatory against foreign competition Relations with the Chinese communists, who still regard Taiwan as a renegade province, remained hostile and Taiwan's international standing was at a nadir.

Today, Taiwan is a quasi democracy with its first Taiwanese, as opposed to Chinese, president in Lee Teng-hui. Its economy remains successful, in spite of world recession. while import and other barriers are slowly being removed. Family visits and trade with China are growing rapidly and the two sides are holding regular, if unofficial, talks. Last month, as a rites of passage for the island's economic emergence, its application to join the Gatt was accepted for seri-

ous consideration. Such rapid change has not come without a price. To cope with new demands, the government budget is in deficit for the first time in nearly 20 years. As affluence has increased. Taiwan's saving rate has fallen from Asian to western levels, and crime and divorce rates are both rising

Neither is Taiwan's future as a stable democracy secure. Infighting is taking place within the ruling Kuomintang (KMT) about proposed presi dential elections in 1996. This, broadly speaking, pits conservative mainlanders against more liberal Taiwanese party members. The KMT, guaranteed support from governmentowned television and big business, enjoys a monopoly on power while the opposition Democratic Progressive Party has yet to prove it can act as a

credible oppostion. Meanwhile, China has not withdrawn its threat to use force against Taiwan, especially if the island were formally to declare independence. Although the Taiwanese are sure they do not want reunification with a communist China, they are uncertain how to improve the relationship without radical changes in China's ideological position.

December elections for the legislative yuan, or paliament, mark the next test for the democratic reforms instituted by President Lee since 1987. The old guard of legislators elected in China in 1947-48, who sat in the yuan unchallenged and unchallenging for more than 40 years, were retired last year making way for Taiwan's first



Study in contrasts: while Taipei residents face a nightmare in transport (see page 4) workers on a tea plantation in Nantou have plenty of space to manoeuvre

tary elections for 161 seats. The KMT is assured of vic-tory, and campaigning is set to be less explosive than in last year's election for the lower profile national assembly, which adopts consitutional amendments. In those elections the DPP campaigned to formalise Taiwan's present de facto independence, leading to angry rebukes from China. But the independence call appeared to worry voters. This time the DPP will concentrate on attacking ballooning government spending and forecast tax increases stemming from a US\$303bn six-year national

The plan is designed to redress a decade of neglect of the island's transport and energy facilities, and improve its deteriorating environment. Many of the projects are welcomed, especially those improving traffic jams in the capital, Taipei. But it has been criticised for being hastily drawn up and likely to add to inflation, which is heading for 4-5 per cent - high by Taiwanese standards. Financing the plan pushed the government budget into deficit last year,

development plan.

the first time in recent history. This year's deficit is forecast to rise 33 per cent to nearly

US\$14bn. Nevertheless, increased government spending will ensure continued economic growth. This is forecast to rise 7 per cent this year, after 7.3 per cent last year. Unemployment will remain below 2 per cent, helped by a rapidly expanding service sector. A resulting labour shortage suggests recent average wage increases of 10 per cent are set to con-

Taiwan's economic growth is impressive, especially in the face of recession in its principal export market, the US. But the economy now needs to restructure away from low cost manufacturing, its traditional engine of growth. Since the late 1980s low cost manufacturers have lost competitiveness due to rising land and labour costs and a 50 per cent appreciation in the new Taiwan dollar. This has forced many to relocate to cheaper Asian locations, such as Indonesia, and. especially since relations have improved, China.

Although economists agree

this process was inevitable, the government is worried it will prevent Taiwan's industry from upgrading. Government grants and tax credits are being increased to persuade companies to invest in automation and research. But these programmes have so far had mixed success, and Taiwan

Japanese and US technology. This year has seen anothe setback as foreign investment has fallen sharply, dropping 32 per cent to \$7.6bn in the first seven months. The decline may be temporary, relecting downturn in Japan, and changes in investment laws. But foreign investment does seem increasingly to be aimed at service, rather than manufacturing industries, suggesting Taiwan's efforts to upgrade industry, helped by foreign technology transfer may be frustrated.

still largely relies on imported

After registering almost no growth in 1990, exports have recovered, helped by a stable new Taiwanese dollar and increasing exports to China. Because Taiwan maintains a ban on direct links with China, most trade is conducted

through Hong Kong. Exports to newly-built Taiwanese factories in China helped lift total trade with China 34 per cent to more than \$4bn in the first seven months of this year.

Relations with China have improved markedly since Taiwan lifted its ban on visits to the mainland in 1987. But the two sides are still separated by huge ideological differences and 40 years of mistrust. Although cultural and unofficial contacts are rising, further progress towards normalising relations will be very

Last year Taiwan ended its National Mobilisation for Suppression of the Communist Rebellion, effectively recognising Beijing as the legitimate government for the mainland. Taiwan hoped this would lead to formal recognition by Beijing but China has consistently refused to grant any legitimacy to Taiwan's government and refuses all offers of official talks or visits.

Increasing trade links with China have led to calls from Taiwan's businessmen for bans on the three tongs - direct shipping, air links and postal services - to be lifted. But this IN THIS SURVEY would require the two governments' mutual recognition of security arrangements and air ■ The showcase economy service agreements. Even if has reached a crossroads;

China agreed to modify its

matic recognition to Taiwan by

third countries has frustrated

the island's quest for interna-

tional ties. In August, South

Korea, Taiwan's last diplo-

matic ally in Asia, withdrew

recognition in favour of China.

Taiwan now has full diplo-

matic relations with 29 coun-

tries, of which only South

Africa is internationally impor-

success gaining entry to inter-national bodies. As well as the

Gatt application, it last year

ioined the Asia Pacific Eco-

politically neutral title of Chi-

nomic Conference under the

Growing economic power is

also bringing greater informal

recognition from European

But Taiwan has had more

non-recognition of Taiwanese sovereignty, Taiwan may delay lifting the three bans to squeeze further concessions ■ Manufacturers are searching for cheaper from China at a later stage. locations abroad: Acer is Beijing's continued opposikeying up for a place on tion to the extension of diplo-

the world stage

■ Transports of despair in a jam-packed city; Guide for visitors; Poor planning slows progress

On route for democracy;

countries, especially those, such as France, which believe their companies can win contracts under the six-year plan. Following the US decision in September to sell up to 150 F-16s to Taiwan, a separate purchase of up to 60 French Mirage fighters is still expected to go ahead. This would further improve Taiwan-French ties, and provide the island with a symbolically important quasi-ally in Europe.



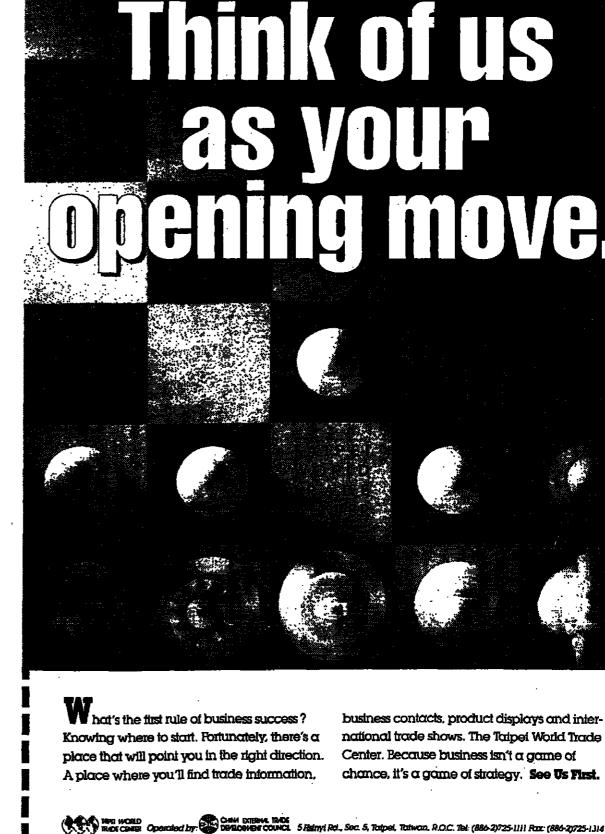
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Angus Foster investigates rising pressures in a showcase economy

Standing at the crossroads

Growth this year is being

driven by consumer and gov-

TAIWAN'S showcase economy, which generated annual growth of 8 per cent through the 1980s, is at the crossroads. On the surface, all appears well. Growth is forecast to hit 7 per cent this year, after 7.3 per cent in 1991. Unemployment is below 2 per cent and consumer price inflation, although edging upwards, will probably average below 4 per cent for

But declining competitiveness among Taiwan's low cost manufacturers, who since the late 1980s have faced rising costs and an appreciating New Taiwanese dollar, is forcing them to upgrade or move overseas to other cheaper Asian locations such as Indonesia

Average exchange rate

Head of state

ECONOMY

Imports.. Consumer prices (% change pa).

Total GDP (US\$bn)

(% change pa).

(% of lab force)

(US\$bn Dec)..

(USSbn).

Hong Kong.

Germany...

Exports (US\$bn).

Imports (US\$bn).

M1 growth (% pa).

Prime rate (% year end).

Current account balance

Trade balance (US\$bn).

Main trading partners

(1991, % by value).

Real GDP growth (%)...

Components of GDP (%)..

Government consumption.

Ave earnings in manufacturing

ind production (% change pa)..

GDP per capita (US\$).

Currency

KEY FACTS

and, increasingly, China. Meanwhile, a maturing economy is adding new pressures such as a declining savings rate, down 10 per cent to 29.5 per cent in five years, and ris-ing consumer spending. Taiwan has overcome such

hurdles before. With the largest central bank foreign exchange reserves in the world, more than US\$88bn, the sland can also afford to increase government spending and guarantee growth while the economy restructures. Nevertheless, new pressures and new costs associated with moves towards democracy, such as tighter environmental regulations, suggest growth in the 1990s will be slower and

. 36.000 sa km

175.4

8,597

53.9

22.9 17.9

3.6

11.0

1.5

82.4

-6.6

9.25

12.0

76.2

Imports

22.5

30.0

20.6m (end 1991 estimate)

1992 (Jan-Sep) US\$1 = T\$25.09

163.6

8,100

22.2 17.5

4.1

-1.9 1.7

10.9

67.2

29.3

12.0

16.3

Source: Economist Intelligence Unit

.President Lee Teng-hu

.New Taiwan dollar (T\$)

... 1991 US\$1 = T\$26.81

ernment spending. Consumer spending has risen since 1987 helped by annual average wage increases of 10 per cent overall and up to 15 per cent in the service sector. Growing affluence has lifted demand for foreign consumer goods, which now account for more than 10 per cent of total imports for

the first time.

The government's six-year, US\$303bn National Develop-ment infrastructure plan is now under way and government spending is forecast to rise 20 per cent this year, compared to private sector investment growth of 5-6 per cent. government's share of gross fixed capital formation is forecast to reach 30 per cent this year, compared to 17 per

To help finance the plan, the overnment ran a budget deficit of US\$10bn last year, the first time in nearly 20 years. The deficit is set to rise further, to US\$15bn this year and nearly US\$20bn in the peak spending year, although these figures will be less daunting if the private sector is attracted into some of the projects. Mr Lee Chong ying, vice minister

more erratic than in the past of finance, said the government has no plans to raise taxes to cut the deficit, although critics say tax increases are inevitable.

Although many of the infrastructure projects are wel-comed, especially those aimed at improving the island's transport network and energy supply, the plan is widely assumed

With the largest central bank foreign exchange reserves in the world, more than US\$88bn, the island can afford to increase government spending

to be inflationary. The government has set a medium-term inflation target of 3.5 per cent, but wages are continuing to rise at close to 10 per cent and many economists think inflation will reach upwards of 5 per cent, high by Taiwanese standards.

Mr Yu Tzong-shian, president of the Chung Hua Economic Research institute, estimated inflation will rise to 4-5 per cent in the medium term, perhaps higher "if the plan is finished on time".

Inflation will he helped, however, if the New Taiwanese dollar continues to appreciate. pushing import prices down. After rising against the US dollar by 50 per cent between 1986 and 1989, the Taiwanese unit has stabilised. Further gains are likely in the next 12 months because of Taiwan's strong trade position and pressure from the US, which claims

Exports have continued to rise, in spite of world recession, thanks to increased trade with China. For political reasons, this is conducted indirectly, mainly through Hong Kong. Taiwan's exports to China increased 38 per cent for the first five months to US\$2.3bn while exports to the US, still Taiwan's most important market, and Europe fell

the currency is being kept arti-

ficially low.

slightly. About 95 per cent of exports are industrial products and total exports last year increased 13 per cent to US\$76.2bn. For the first seven months of this year exports rose 8.3 per cent from the comparable period to US\$46.8bn. But imports have risen fas-

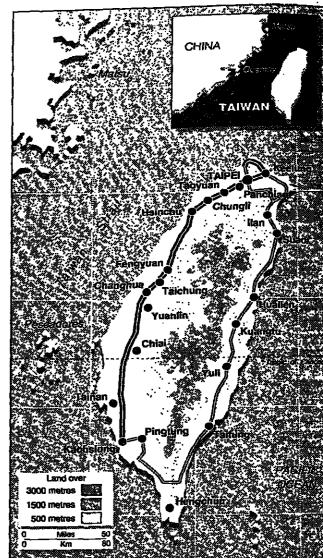
ter, gaining 14 per cent to US\$41.3bn for the year so far, leading to a 17 per cent reduction in the island's trade sur-

This is due to rising imports

of consumer goods, capital equipment for infrastructure projects and Taiwan's continuing reliance on Japanese machinery and semi-conductor imports. Thirty per cent of total imports come from Japan and this led to a US\$9.7bn trade deficit last year, a 27 per cent incre

The deficit is likely to increase as infrastructure projects accelerate, and will rise again if Taiwan's bid for membership of the GATT is successful. Restrictions on Japanese car imports, protection of Taiwan's agricultural products and discriminatory government overseas purchasing programmes, which tend to favour the US and exclude Japan, will have to be reformed if Taiwan is to join the trade body.

The continuing tight labour market has led to complaints from business of a shortage of skilled and low skilled workers, which is adding to costs by driving wages up. Although the government was initially reluctant to import foreign labour, fearing it would stop companies upgrading, it has now relented and approved the importation of up to 50,000 workers, mainly from southeast Asia. But businessmen say this is not enough and wages will continue to rise faster than inflation. Rapid wage rises are most noticeable in newly reformed sectors of the economy. Barlier this year, for example, 15 new banking licences were granted, leading to intense competition for the island's scarce supply of expe rienced commercial bankers.



With elections due in December, Angus Foster looks at politics

On the route for democracy

TAIWAN takes a significant step towards democracy in December with the first fully representative elections to the Legislative Yuan, or parliament. Constitutionally, this body approves the government budget and has authority over a range of government bills. But its powers have rarely been used and its credibility was undermined until last year because more than half its ibers were elected in mainland China in 1947-48, before the Nationalist government fled to Taiwan.

December, paving the way for the direct election on December 19 of 125 legislators, six representatives of overseas Chinese communities and 30 "at large" seats decided by each party's vote in constitu-

ency elections. The new status likely to be accorded to legislators suggests the Yuan will become more like a western parliament with questioning and debate of government policy. Social issues could become more

Division on these and other The old guard retired last issues could emerge within the

ruling Kuomintang (KMT) party. A struggle for supremacy is also possible between the Yuan and the National Assembly, which elects the president and adopts constitutional amendments

But Talwan's progress towards full democracy, initiated with the lifting of martial law in 1987, has so far been relatively smooth and the KMT is expected to easily win a majority of the seats on offer in December. The party will stress the island's economic success, steady moves to democracy and stable relations with China as reasons to support the government.

The great majority of voters are, economically speaking, doing well and they are happy," said James Chu, KMT

The main opposition Demo-cratic Progressive Party, meanwhile, has been muted since it campaigned on an independent Taiwan ticket in last year's elections for the National Assembly. Although most Taiwanese support the existing state of de facto independence, the campaign frightened people who believe China's threat to use military force to reunify Taiwan if it seeks formal independence. China, of course, still regards Taiwan as a renegade province. The DPP polled only 24 per cent of votes and has decided to campaign on other issues this time. It will attack the government's US\$306bn infrastructure spending plans for being inflationary and likely to lead to tax

Mr Hsu Hsin-liang, DPP chairman, says he hopes his party will win 30 per cent of

the vote. He complained, justifiably, that in spite of moves to democracy, elections are not fair. The KMT controls Taiwan's three television stations and, because candidates need to spend \$1m or more getting elected, the KMT's links with business ensure it ample backing and an in-built major-The DPP is seeking to tone

down its popular image as a group of firebrand radicals. Fist fights in the legislature, which were mainly designed for show and reflected the opposition's frustration at being in such a minority, are likely to die away. But the DPP's poor internal org tion suggests it will take time for the party to decide whether it should be a responsible opposition in a dominant party system, or return to merely a pro-

test movement. The independence issue has not been resolved either, although it has been temporarily shelved. According to opinion polls, most Taiwanese are happy with their present state of de facto independence and would welcome eventual reunification with a democratic China. But younger Taiwanese are less sure and are frustrated by Taiwan's lack of international recognition. Taiwanese also resent the continuing grip on power held by descendants of mainlanders who fled to Taiwan in 1949 but make up

Taiwan should accept a solu-

tion based on "one country, two systems", as negotiated

with Hong Kong. Talwan is

The impasse has stalled progress on relaxation of

Taiwan's ban on direct air,

shipping and postal links with

the mainland. Taiwan's national unification guideline,

setting out the limits to main-

land policy, makes clear lifting

the ban is not a near-term objective. But pressure from

Talwan's businessmen, who

say the ban increases costs of investing in China, has led to

hopes the ban could be eased. Taiwan's government seems more concerned to maintain the ban as an important negoti-

ating position with which to squeeze concessions from

force. This again is partly a negotiating position, and China also sees the threat as a way to

limit the ambitions of Taiwan's

independence movement.
Taiwan's opposition Demo-

cratic Progressive Party cam-

paigned for independence dur-

ing last year's national

Assembly elections. After the

of its defence forces.



Lee Teng-hui: first Talwanese president

less than 15

population. Although Mr Lee Teng-hui is the island's first Talwanese president, Mr Hau Pei-tsun, who as premier has effective day-to-day control over the island, and most of his senior cabinet are mainlanders, "The line between Taiwanese and mainlanders is still very clear," said Mr Lin Yu-siong, a Tai-

wanese KMT legislator. This division is likely to come to the fore again next year in the lead up to the KMT's party congress and is symbolised by a simmering dispute over the method of elec-tion for the next presidential elections, due in 1996.

President Lee and his supporters are believed to be in favour of direct elections while

conservatives within administration, many of them mainlanders, would prefer elections through a form of electoral college to limit the popular appeal of the president's office. The issue is further complicated because elected members of the National Assembly fear their most important function would be redundant if direct elections took place.

A heated debate on the issue within the KMT reached impasse in March and the question has been put on hold. In a terse statement, the KMT said an extraordinary meeting of the National Assembly will be held by May 1995 "to select the method of electing the president and vice-president according to public opinion".

More than 1m Taiwanese will visit China this year

A slow rebuilding of contacts

TAIWAN'S relations with China have improved markedly following a series of so called pragmatic initiatives by President Lee Teng-hui starting in the late 1980s. But the widely differing views held by the two sides, and 40 years of open hostility, suggest fur-ther progress will be slow. Taiwan last year recognised Beijing as the mainland's legit-

imate government. It has also established government and quasi-government agencies to handle cross-straits relations. Restrictions on visiting China and investing there have slowly been lifted, although all contact must still be indirect. More than a million Taiwanese are expected to visit China via Hong Kong this year, com-pared with less than 7,000 in 1987. Trade through Hong Kong in the first seven months of this year increased 34 per cent to more than \$4bn.

The cautious opening to China is as important as other initiatives to increase democracy and to lift Taiwan's international status. "If we cannot deal with the cross strait relationship, constitutional reform and diplomatic improvements mean nothing," said Mr Wu An-chia, convenor for mainland affairs research at Chengchi University.

In return for its policy changes, Taiwan wants Beijing to recognise it as an equal political entity, allow Taiwan more international ties, and renounce the threat to re-unify Taiwan using force.

But China, which still sees
Taiwan as a renegade provparty polled only 24 per cent of the votes, the issue has been sidelined, thus averting a seriince, is not prepared to confer ous rift with Beijing. any legitimacy on its govern-ment. China's position is that

Most people in Taiwan are happy to maintain the island's present de facto independence, but do not support open calls for a split with Beijing. Assuming political and economic reform accelerates in China, reunification is regarded as a long-term inevitability.

being offered more autonomy than Hong Kong, however. For example it could keep control In the short term, civilian and unofficial contacts will be built up and work will con-tinue on problems stemming from both sides' refusal to recognise the other's legal system. Taiwan's government-funded Straits Exchange Foundation, which handles direct negotiations with China's Association for relations Across the Taiwan Straits, has been negotiating endorsement of documents and indirect mail services with the Chinese. Discussions were aborted in March after the Chinese suddenly raised issues of sover-eignty. "I urged them not to mix politics with technical China at a later stage. Mean-while, China is also refusing to soften its stance on the use of matters," said Mr Chen Rong-jye, SEF secretary general. Slow progress on China rela-

tions is also frustrating Taiwan's ambitions to boost its international status. South Korea's August decision to switch recognition from Taiwan to China was a severe blow to 29 island, removing its last Asian diplomatic ally.

Taiwan now has full diplomatic relations with 29 countries, although many – like Tonga and Guinea-Bissau – are only of symbolic importance. Worryingly, China seems keen to improve rela-

tions with South Africa, the

only large country which still recognises Taiwan Taiwan has made progress improving unofficial links with France, especially, and with the Commonwealth of Independent States. Taiwan has also stepped up efforts to gain admission to international bod-les, and was last year admitted along with China to the Asian Pacific Economic Conference

grouping under the compro-mise title Chinese Taipei. China probably assented to simultaneous entry as a precursor to dual entry to the Gatt. At the moment, the US is in favour of simultaneous entry, perhaps next year.
Although entry would harm
Taiwan by abolishing some
import restrictions, membership is seen as a diplomatic
imperative in Taimei

imperative in Taipei. One recent development, the slightly distasteful "bidding wars" between Talwan and China for recognition by third world governments, may not last. Growing democracy in Taiwan makes episodes such as last year's stealing of Niger from China harder to justify.

People don't want their taxes
spent on black Africa," one analyst sald.

Angus Foster

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TAIWAN 3

Manufacturers are moving into lower labour-cost centres overseas

Mainland finds favour

namulacturers are being forced to relocate overseas, as rising wages, high land prices and a strong Talwan dollar decrease competitiveness and eat into

For the price of a factory worker in Taiwan, we can ifford to employ 10 workers in China and 12 workers in Indonesia to do exactly the same job," says Mr Frank Kung, general secretary of Taiwan's Pootwear Manufacturers' Asso-

Before 1987 most overseas investment went to the US, one of Taiwan's closest trading the emphasis has turned to south east Asian countries offering plentiful cheap land

According to government figures, Taiwanese companies have invested about \$2.1bn in Asia since 1989. By July 1992 the Taiwan government had approved a total of \$900m for Malaysia, \$240m for the Philip pines, \$278m for Indonesia and \$358m for Thailand. These figures do not include China where Taiwanese companies have invested, often illegally, since 1987. Although estimates vary, probably more than \$3bn has now flowed into the mainland. Together with other Asian investment, this makes Taiwan probably the largest Asian investor in the region

Last year Taiwan was the biggest foreign investor in Malaysia and Indonesia, investing a total of \$602m in textiles. electronic and consumer goods

Poorer countries in the region have shown their willingness to encourage foreign investors. Vietnam has liberalised its rules on foreign investment since the late 1980s and Taiwanese companies have

been quick to take advantage. By July this year, Taiwanese investment into Vietnam had reached \$775m, more than any other country. Most of the proiects were in chemicals: textiles, bamboo and wood products and food processing.

Taiwan's government actively encourages investbuy Taiwan the status and recognition it lacks in the diplo-



are now going further afield

and have even started target-ing China's domestic market.

The government is increas

ingly concerned about the rate

of investment in China, fearing

vulnerability to political and

economic changes on the main-

land. China is also perceived as

a fast-emerging competitor in

the very industries that

Taiwan is moving across the

Strait. The government has

therefore tried to prevent heavy and high technology

industries from investing in

think the recent trend for

larger Taiwan companies to

start looking at the mainland

Luisetta Mudie

market will only continue.

However, many observers

have all signed investment guarantee agreements with Taiwan, and another is being negotiated with Vietnam, even though none of these countries recognises Taiwan politically.

In an attempt to spread investment more evenly in the region, Taiwan's government has been plugging Vietnam as a viable, low-cost location. Direct flights between Taiwan and Vietnam were started in August, and the Kuomintang(KMT)'s Central Trade Development Corporation, along with a subsidiary, has committed \$450m to develop an export-processing zone and surrounding infrastructure, near

Ho Chi Minh City. However, there are now signs Taiwan's investments in peaked, as investment into China has accelerated.

This "mainland fever" is mainly due to a cheap investment environment and common language and cultural to-economic reform, signalled earlier this year, has also persuaded businessmen to push ahead with projects which were on hold:

Most investment is in lowcost manufacturing and processing industries such as garexport. Although the Taiwanmatic world. Indonesia, the more open economies of Philippines and Singapore. Guangdong and Fujian, they

Profile: ACER

Keyed up for the world stage

TAIWAN manufacturers have totalled around US\$1bn. not traditionally focused on marketing their own brandname product. Instead, they have favoured high-volume production of low cost goods on an original equipment manufacture (OEM) basis, and the comparatively low financial

risk which OEM offers. Acer, however, has always sought to be the exception. The company's chairman, chief executive officer and founder, Mr Stan Shih, says he is in the process of transforming Acer into a multinational computer

company, capable of competing with the main global players. According to Mr Shih: "Our aim is to motivate Taiwan's people to succeed in removing the negative image of Made in

Although Mr Shih believes that he can only increase international awareness of Acer products through marketing, Acer still relies on OEM for 30 per cent of its business, a proportion which Mr Shih would like to see augmented to 45 per cent. "On the whole OEM and plement each other," he says. "OEM is also a very good way to share the cost of developing new technology."

Underlying Acer's strategy is Mr Shih's personal blend of ancient Chinese philosophy and modern management tech-

"In the game of Go, first you conquer the periphery, then you conquer the centre," he explains, "Because Acer is not yet blg enough to compete with the big US companies, we have found a niche in smaller markets, like South America and south-east Asia."

In Chile, says Mr Shih, people speak of Acer-compatible computers, rather than IBMcompatible. "We targeted the markets that none of the big players had reached yet. So even with limited resources we were able to dominate those markets," he adds.

Acer was set up in 1976 as Multitech International with 11 employees, and began production of IBM-compatible personal computers and software in the early 1980s, using the same microchip and software as the IBM equivalent, but selling for two-thirds of the price. By 1991, annual sales had

tors are hoping to sit out the downturn in the global computer industry. Acer's own-brand business actually grew by 45 per cent in 1991.

Acer has an annual corporate budget to boost brand considered high by Taiwanese standards. It has also restructured into a series of independent business units, designed to decentralise decision-making, which can spend up to four times that amount on

marketing in various regions. Earlier this year, a glossy \$5m advertising campaign which uses shadows thrown by Acer products to convey hidden qualities of the product and images of the user, ran throughout Europe and the US. The "shadows" theme was conceived by Dentsu Young and Rubicam of the US, and is intended to suggest that there is more to Acer than meets the

Despite the emphasis on marketing, repeated attempts to penetrate the US computer market have produced mixed results. In 1990, Acer tried to buy market share by acquiring a financially stretched US minicomputer manufacturer, Altos, for \$94m.

The company had hoped to integrate its business hardware systems with Altos' Unix-based systems thereby gaining a ready-made foothold in high end production in the US. But minicomputers went out of fashion, and Altos continued to lose money.

Analysts say Acer paid too much for the acquisition. Altos' losses, and price-cutting due to the downturn in the computer market, led to Acer reporting a net loss of US\$22.7m last year. However, Acer has since reported net earnings of US\$3m in the six months ending June 30, 1992.

Acer's mass-merchandiser and superstore business fared somewhat better than Altos in Europe and the US. The company's exports of lower end products bound for outlets such as Best Buy and Bizmart of the US and Dixon's of the UK grew by around 170 per

Luisetta Mudie

Mikanga kali sa Majaran sa Majaran sa kali da kali sa sa kali sa kali sa kali sa kali sa sa kali sa kali sa ka Majaran

Taiwan is being forced to upgrade its industry, says Luisetta Mudie

Hunt for cheaper locations

wages and property prices have narrowed profit margins for Taiwan's low-cost manufacturers, while the unwillingness of an increasingly well-off population to do low-status, lowpaid factory work has led to a

tight labour market. Faced with declining competitiveness, Taiwan is being forced to upgrade its industry and replace low-cost manufacturing, which is increasingly relocating to other cheaper

Appreciation of the Taiwan dollar against the US dollar has not helped. Footwear manufacturers say that profit mar-gins of between 5 and 12 per cent when the Taiwan dollar was at 40 to the US dollar, were completely eaten away when it appreciated to 25. Hardest hit and first to move

operations overseas were textile companies, footwear manufacturers and producers of low value electronics. Manufactur-ing output in these areas has fallen by about 29 per cent since 1986. For example, production of electronic calculators fell from 68,3m sets in 1988 to 31.5m sets last year. Output of heavy industries

and chemicals has continued to increase. However, falling margins have put pressure on

companies' investment in research and development The accelerating flow of investment overseas in recent months has led to concern that Taiwan's industrial base is being eroded.

Meanwhile, as the economy matures, growth in services has consistently been about 2 per cent higher than manufacturing. Some economists fear a serious decline, or "hollowing out", of Taiwan's industrial base. The Chung Hwa Institute for Economic Research has warned that as low-technology industry moves abroad, capital intensive industry must be apgraded and high technology

businesses fostered to maintain

smooth economic growth. The government is therefore offering tax holidays and low interest loans to companies wishing to upgrade operations. Government officials claim "tens of billions" of Taiwan dollars will be available for this purpose, in the form of a cabinet development fund, to be administered on a case-bycase basis. It has also earmarked US\$22.7bn of a

US\$303bn six-year infrastructure plan for industrial upgrading and research and development. Part of a US\$31.6bn budget for education and cultural facilities, will also go to

help lift the number of quali-fied and skilled workers.

Ten "emerging industries" have been targeted for development, including telecommunications, information technology, consumer electronics and Within these industries,

eight "key technologies" have been highlighted for improvement, among them optoelectronics, industrial automation, advanced sensing technology and biotechnology. The govern-ment hopes that a large proportion of this technology will be imported, or made available as a result of joint ventures with foreign companies.
One of the 10 selected indus-

tries is aerospace. Taiwan Aerospace, set up in 1991 to develop the island's aerospace industry, last month signed a memorandum of understanding with British Aerospace for co-production of regional aircraft. This should lead to significant transfers of technology from the UK.

Taiwan's first semiconductor plant costing US\$152m is also a joint venture, between Texas Instruments of the US and one of Taiwan's leading computer manufacturers, Acer.

The government is also providing funds to companies

Because Taiwanese companies tend to be small and familymanaged, they have not emphasised marketing. Sports equipment manufacturer Kunnan, which uses the brand name ProKennex, is one of the few Taiwan companies which

brand-awareness globally. Some economists say, however, that government loans and spending will only help if the private sector simulta-neously upgrades its industrial base. Private sector's gross fixed capital formation actually fell in 1990 for the first time since the early 1980s.

Investment has since acceler ated but is growing slower than government or public sector investment.

Meanwhile, there are signs foreign investment is slowing. In the first eight months of this year investment fell 36 per cent to US\$870m while manufactur-

ing investment fell 54 per cent. These figures are slightly distorted by legal changes which led to a rush of investment early last year. But businessmen in Taipei said the same factors which are forcing Taiwanese companies overseas, high costs and poor infrastructure, are also affecting



opened if you are a resident.

Water: Tap water not drinkable - hotels provide

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operator - dial 100;

US: T\$225.

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English-speaking directory

Calls to Europe: Peak rate

Usefui numbers: Tourist

information hot-line - (02

outside Taipei) 717 3737:

English-speaking police -

264: CKS International

Airport Service counter

(03) 398 2143; Women's

help-line - 581 5469.

311 9940/311 9816 extension

Visas: Tourist visas are good

for 60 days, renewable for

representative offices.

another 60 days in Taiwan.

Available from Taiwan trade

Further reading: Directory of

Taiwan (bilingual) available

five minutes - T\$330; to the

- 311 6796 (limited listings);

Luisetta Mudie sums up the advantages and disadvantages of Taiwan

Transports of despair

TAIWAN'S capital, Taipei, has little to recommend it. It combines the traffic problems of Tokyo and Bangkok with pre-cious little of Hong Kong's efficiency; it is the capital of an governments, which is forever eing confused with Thailand; it is the third most expensive city in Asia; it is harder to get a traveller's cheque cashed in Taipel than in Beijing, just to breathe the air is a health hazard ... the list is endless.

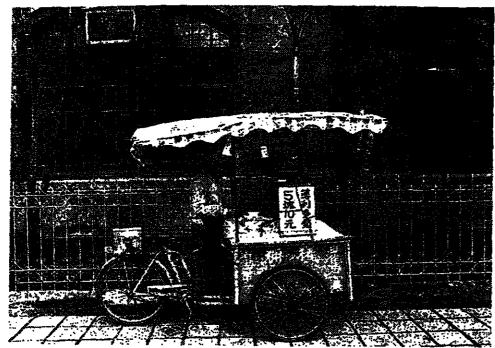
However, Talwan in general and Taipei in particular do have their advantages. The people are helpful, friendly and well-educated - many speak English. When the defeated Kuomintang troops fled to Taiwan in 1949, they brought with them some of the best chefs in China, and that culinary tradition is still upheld.

The city's young, increasingly well-heeled population creates a stimulating atmosphere with an abundance of night-life the streets are safer at night than in most wer cities, and traditional Chinese culture and festivals are still

One of the first things a visitor to Taipei notices is the traffic. The explosion in transport occurred mostly over the past five years, when increasing prosperity began to mean crippling import tariffs were no longer a curb on demand for flashy cars. Status is emphasised, rather than utility, so Taipei's narrow back alleys can often be completely blocked by a monster of a Buick or Mercedes negotiating

the gap between parked cars. A six-year infrastructure development plan is intended to relieve Taipel's chronic problem, but the city's first Mass Rapid Transit urban railway system is not due for completion until next summer, and the entire network will not be in place until 1997. Until then, the ubiquitous yellow Taipei taxi will continue to be the main form of transport for foreign visitors, and still subject to the twice-daily rush-hour

Dining out in Taipei is never a problem. China's regional cuisine is well-represented, as well as most western fast food and "informal dining" chains.





Jam-packed; one of the first things a visitor to Taipel notices is

There is a large choice for topend diners, but don't be surprised if dishes are taken away before you think you have fin-

Lavish spending has become a way of life in Taiwan, and

staff at expensive restaurants have been trained to give the impression that the customer is far too wealthy to want to clean off every plate.

Most of the international hotels have a good selection of

restaurants, often with all-youcan-eat deals, or set menus. The Lai Lai Sheraton's Teppanyaki is a good example of this. Wine has hitherto been pricey as a result of a government monopoly on imports, but these were liberalised last

month. For an informal dining experience, Taipei's Indian Beer House is a must. It serves Taiwan's favourite dishes, that is, seafood and the delicious three-cup chicken" with draught Taiwan beer to wash it down. Located on Pa Teh (Baader) Road next to the 24-hour filling station, it is easily recognisable by a dinosaur skeleton protruding from the

Away from the smog, to the

north of Taipel, sits the largest collection of Chinese art and antiques outside China. Brought to the island by Chiang Kai-shek's defeated Nationalists in 1949 after being carried the length and breadth of China by "coolies", the collection is housed in the National Palace Museum, It is so large that it takes about 10 rears to rotate all the pieces stored in the vaults under the

GUIDE FOR VISITORS

Arriving: The taxi ride into the city centre costs T\$1000-1200, either from the rank, or call a private hire company on (03) 383 4531. The ride takes about one and a half hours. Hotels: Most of the international hotels are convenient for central Taipei, and many negotiate packages with companies for Shopping: Main shopping areas are around Chung Hsiao East Road Sec 4, Nanking East Road Sec 1/2, the railway station, and Chung Hwa Road for consumer electronics. Money: Hotels will exchange cash although not always travellers' cheques. Credit cards are not widely used, and there are no cash advances for cards issued overseas, Travellers' cheques in sterling are generally distrusted, although certain branches of the Bank of Taiwan exchange them in dollars. International Money Orders are a problem, and bank

Other worthwhile tourist

Park, not far from the

Museum, offers scenic hikes,

sulphur baths, and speciality

free-range chicken restaurants

every 100 yards. Kenting, at

the southernmost tip of the

island, offers good seafood,

sandy beaches and warm seas.

which the locals put down to

the proximity of Taiwan's third

nuclear power station. Sun

Moon Lake, near Taichung in

central Taiwan, is to be

avoided: the only amazing

thing about it is that its water

Despite the economic miracle

and the fact that Taiwan is fast

approaching developed nation

status, it is still only possible

to exchange foreign currency

Travellers' cheques can also

be a problem if they are in

sterling - usually all but the

issuer will refuse to cash them.

Exchange receipts should be

is clean.

Taiwan.

from The China News, 11F, 110 Yenping South Road, Taipei, Taiwan. Price: \$29.52 inc p & p. This Month in Taiwan - magazine available in all hotels.

cannot buy US dollars on leav

attractions are the central ing Taiwan without them. The foreigner's answer to the cross-island highway, which runs through some stunningly question of Taiwan's identity varies from day to day, depending on who you talk to. The beautiful scenery in the Taroko Gorge National Park. The eastruling KMT, which still exerts ern coastal town of Hualien is the best staging post for this control over the electronic trip, but check conditions durmedia, does its best to make Taiwan sound and look as Chiing the summer typhoon seanese as possible. But beside the staunch KMT The Yangmingshan National

supporters there is a subculture of Taiwan nationalism. which ranges from older Taiwanese who remember the "good old days" under the Japse, to the younger generation, which feels no cultural attachment to China. Betel nut chewing, once con-

fined to peasants and long-distance lorry drivers, is now becoming popular among white-collar professionals, intellectuals and teenagers, as an expression of something eculiar to Taiwan.

Although the three main Chinese traditional festivals: New year, the Dragon Boat Festival, and the Autumn Moon festival are still into Taiwan dollars at hotels, or specially designated branches of the Bank of observed, and Beiling opera is on offer in Taipei's Haimenting district, films by directors such as Hou Hsiao-hsien (City of Sadness, Dust of Angels) and work by the Cloud Gate dance company have a uniquely Taiwanese feel, which has in the past been regarded as subverThe quality of life has fallen because of an overloaded infrastructure

Poor planning slows progress

TAIWAN may be well be on the way to developed nation status in terms of per capita GNP, but a lack of government attention to the overburdened infrastructure has meant the quality of life on the island has deteriorated.

Years of rapid economic growth with poor environmental controls and economic planning have left Talwan with heavy pollution levels in soil, air and water, an unreliable power supply and an overloaded road and rail network.

The six-year development plan, which runs until 1996 and has a total budget of T\$8,200bn, is an attempt to bring together more than 770 badly needed projects. The areas of most urgent need are transport, communications, utilities and environmental protection, which receive 49 per cent of the budget

As part of an attempt to even out economic development across regions, Taiwan is to be divided into 18 community hubs, each with its own transport network, shopping centres and industrial zone. Much of the land needed will be converted from agricultural use.

Among the larger projects are a fourth nuclear power station, urban mass transit railway systems for Taiwan's main cities, a pumped water power project and a high-speed railway linking Taipei to the southern city of Kaohsiung. Taiwan's two international airports and container port facilities are also to be exnanded

Some of the projects were not due for completion in six years and some projects have already been delayed due to poor planning. More than 30 projects were delayed in the first year of the plan alone. The government has held un

bond issues related to current projects worth T\$156bn. Delayed funding will be incorporated into future budgets. The method of financing the various projects has also generated considerable controversy. The Council for Economic Planning and Development. which oversees the six-year plan, says that of the T\$8,200bn budget, T\$1,900bn will come from already approved government spending and T\$2,700bn

will be financed by the public

raised from government capital accounts, including T\$1,100bn from the sale of bonds and government property.

Some economists estimate however, that the government will need to issue more than T\$5,000bn in bonds by the end of the century if the six-year plan is to be completed in full, and this is almost certain to lead to further inflation.

Vice-finance minister Mr Lee Chung-ying says that his ministry has agreed in principle to support the financing of infrastructure projects from a government deficit. "But government borrowing's proportion of GDP is expected to increase from 6 per cent to 40 or 50 per cent," he adds. "We think that is too much." However, the finance ministry says it is not considering raising taxes.

Since July 1991 the government has issued T\$102.5bn of bonds to finance current pro jects. The main opposition party is calling for large-scale cuts in projects, which it believes are too expensive, as part of its election platform.

Meanwhile, there have been allegations that some companies with close government links have been favoured in the bidding process and awarding of contracts.

Despite these setbacks, the size and scope of the six-year plan has attracted high-level trade missions from countries with companies interested in bidding for important contracts. Bilfinger and Berger of Germany and Matra of France, 🎔 have each been awarded contracts to build lines for Taipei's urban mass transit railway (MRTS), worth US\$756m and US\$270m respectively.

Siemens of Germany has been awarded the contract to build a new gas-fired power plant in southern Taiwan. An initial budget of T\$7.9bn for Taiwan's fourth nuclear power plant was approved this year, and Ebasco Engineering of the US has been contracted as consultant for the first phase of construction.

However, projects for which Taiwan already possesses technology and experience, are likely to be awarded to Taiwan companies.

Luisetta Mudie

BADENO

Priv:

Moves to liberalise the securities market are 'too little, too late'

Financial image gets a shine

TAIWAN'S government has Taiwan faces in its ambitions long been criticised for moving to become a regional financial too slowly to improve the image of the island's financial

But last month the government cracked down on illegal margin lending, licensed 11 new foreign mutual funds, and speeded up approvals for inward remittances by foreign fund managers for investment in equities, although these remittances are still subject to clearance by the island's cen-

The sudden surge of activity constituted an attempt to whip up confidence in Taiwan's sag-ging stock market, after the discovery of stock defaults worth more than US\$320m, and the detention of two of the market's "big hands", or stock speculators, last month. The market fell more than 10 per cent at one stage, although it has since recovered slightly. Foreign fund managers say,

however, that the government's moves were too little. too late and the conservative central bank remains a barrier to securities market liberalisa-Mr David Yu, research man-

ager at Wardley James Capel, said: "[The recent measures] are better than nothing. But inward remittances should be approved by the Securities Exchange Commission (SEC) alone. It's unreasonable that the central bank has so much

control."
Under the present system, inward-bound funds already approved by Taiwan's SEC can still be delayed for months, or even finally refused, if the central bank thinks they might contribute to Taiwan dollar appreciation.

The finance ministry had

originally hoped to attract US\$2.5bn to Talwan in foreign institutional investment, to broaden the investor base. Since an application by Hong Kong's Jardine Fleming was first approved in March 1991, however, only US\$735m has been remitted to Taiwan, by 14 fund managers. These include Fidelity Investments of the US, and Pierson, Hendring and Pierson of the Netherlands.

The problems in the stock market sum up for foreign branches of Chinese banks investors the problems that overseas, and Chinese

centre. There have been cautious moves towards reform. But financial markets remain poorly structured, for example 70 per cent of investment comes from individuals, rather

than institutions, and the government retains significant control over markets which it deems strategic, such as foreign exchange. One area which has been reformed, however, is domestic

commercial banking, where 15 new local banks began operations at the beginning of this year, ending 40 years of a near-monopoly by state-run banks, and almost doubling the number of domestic banks within four months, The newcomers have initi-

ated feverish competition within the banking industry, particularly in short-term lending, mortgages and demand deposits, which now make up around 60 per cent of all their

The new banks, which have minimum paid-in capital of US\$400m, have been permitted to increase their number of branches at a faster rate than the established banks. However, they are not likely to be licensed to handle the simplest foreign exchange transactions for at least another year.

The suddenness with which the banking sector was opened up has generated fears among industry observers that there will not be enough business to go round. Many predict fall-ures, or at best mergers, within the next few years.

The government has said bank failures are not its responsibility, but the shareholders', among whom are some of Taiwan's largest com-Mr Lee Chung-ying said: "In a free-market system. you can't prevent banks from going under," but added that his ministry periodically runs checks on the newcomers

financial facilities for Taiwanese investors in mainland China, the government last month also allowed Taiwan banks to do business with

in an attempt to improve

although direct financial links with China are still banned.

The sudden expansion of commercial banking has led to complaints from foreign banks, whose margins are being pared away by the new competition. Foreign banks have only recently been permitted to apply for a second branch in Taiwan, and are not allowed to open subsidiaries. Foreign bankers say they would also like to see faster progress in

foreign exchange markets. The government has been moving slowly on drafting regulations for new financial products. Taiwan still has no domestic futures market, although a law allowing trading in foreign futures through foreign brokers will come into effect this November. Implementation may take some

Other reforms, which may also be delayed due to differences within the government on the speed of change, include the completion of a new law abolishing foreign exchange controls except in a state of emergency, to go before the legislature within the next

The government has begun processing applications for new domestic insurance companies. Among foreign insurers only American insurance companies, or US subsidiaries of non-US companies, are at pres ent allowed to set up branches in Taiwan. However, this situa-tion may change due to pressure on Taiwan to liberalise its financial services markets in order to enter the Gatt.

Luisetta Mudie



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JOBS: At best only temporary work for nearly £650m worth of the products of UK higher education

year was the worst on record for young people seeking work after winning degrees at Britain's universities, polytechnics and colleges.

[At the end of December, near a fifth of the summer's crop of new graduates were left with no more productive, employment

more productive employment than a temporary job expected to tast at most three months. The precise number registered as in that pickle was 24,893, 19 per cent of the total bachelor-degree output of 130,685, and representing a nixpayers' investment in higher education approaching £650m.

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Luisetta 🕻 🦿

Despute the exte E ILI SERGIO

i. The bad news is of course that the present year, although not yet on record, looks sure to be still worse. The most soberwinded estimate outs demand by employers at 40 per cent down on the meagre level of a year ago.

An idea of what happened to the crop of 1991 is given by the table alongside. Unfortunately, owing to a certain laggardliness in official number-crunching, it oraits the lowest of the then three tiers of degree-level teaching Since consists and a consist of the consists o institutions: colleges of higher education which produce 8.5 per cent of Britain's graduates. To complicate things further,

The two upper tiers are hence-

A sad final bow for the polytechnics forth to be as one, with even the few polytechnics that haven't It begins with the total

UNIVERSITIES

77,449 100.0 75,971 100.0

29,681 38,4 33,831 44,4

19,151 24.7 16,189 21.4

9,556 12.3 7,885 10.4 3,317 4.3 2,552 3.4 6,278 8.1 5,772 7.6

28,617 36.9 25,951 34.2

9.8

1991 %

623 1,123

1,979

1,867 4,935

1,478

7.619

already become universities

about to undergo said apotheosis.

But, since they were still polys in 1991; I have differentiated them

WHAT NEW GRADUATES DID:

Entered regular lobs in UK:

Environmental planning

Management services

Teaching and lecturing

Continued education in UK:

Including: Academic study Teacher-training

Other training (including legal)

Returned or moved overseas

At best short-term UK job

Other kinds of work

Financial work

Other activities:

including: Managerial work

Total gaining bachelor's degrees

Research, design, development

Engineering & science support

Buying, marketing and selling

Information, library & legal Personnel & welfare services

as such in the table.

numbers of bachelor's-degree winners produced by the then two upper tiers last summer, together with the totals the year before. After the separate figures for the universities and for the

1990 %

2.918

691 1,515

1.5 1,515 2.0 2.6 2,413 3.2 2.4 2,427 3.2 6.4 5,188 8.1 1.0 945 1.2 9.5 7,621 10.0 1.9 1,339 1.8

polys, come their combined output for 1991 and the number of graduates by which it differed from the corresponding figure in 1990: an increase of 6,905. Reading downwards, we next

POLYTECHNICS % 1990 %

812 1,930

2,096 6,710 6,819

15,625 42.8

41,928 100.0 36,501 100.0

15,428 36.8 16,228 44.5

1,781 4.3 1,595 2,147 5.1 2,877 408 1.0 426 1,274 3.0 1,773 1,373 3.3 1,306 1,275 3.0 1,545 1,328 3.2 1,620 390 0.9 426 1,588 3.8 1,587 2,173 5.2 1,874 1,691 4.0 1,199

1991 %

5,914 14.1

2,447 5.8 1,135 2.7 2,332 5.6

20,586 49.1 3,622 8.6 7,441 17.8 9,523 22.7

have-in bold type-the overall

Combined Change total 91 from 90

119,377 +6,905

~ 4,950

- 1,879

- 187 - 254 + 438

+4.228

+ 1,088 + 908

+7,627

+2.322

_

45,109

4,405 6,054

2,397 3,352

1,184 8,954 3,651

25.065

4.452 8,610

49,203

11,241

United Kingdom which were "regular" in the sense of holding out career expectations. Below that, in light type, is a breakdown of the types of jobs found. Then comes a similar analysis of the numbers who continued in education or training in the UK. Lastly we have other activities

broken down into three different groups. The first lumps together overseas students who returned home with Brits who moved abroad. The next consists of graduates who had disappeared from their Alma Mater's ken by the end of the calendar year. The last - "At best short-term UK job" - itself includes three types

One is those believed still unemployed at the end of the December. The second is those deeming themselves not available for employment at all, as distinct from having re-joined some organisation which had kept them on its books during their studies. The third is those with only a temporary UK job likely to last at most three months.

plunge in employers' demand from 1990 to last year can be seen from the changes in the table's right-hand column.

Every sort of regular work was down except teaching/lecturing, and the miscellaneous category. There were rises in all types of continued education. The same went for all the "other activities", whose combined increase of 7,627 was over 10 per cent greater than the 6,905 rise in the universities' and polytechnics' total output. The single category showing

much the biggest increase was "At best short-term UK job". On that particular measure, the universities fared least badly with 17.2 per cent of their 1991 crop so afflicted. (The colleges of higher education, not in the table, weren't much worse with 17.9 per cent of their total graduate output of 11,308 - or 2,027 individuals who, with the addition of the two upper tiers' 22,866 in the same sad position, produce the "precise number" of 24,893 I mentioned earlier.)
The polytechnics fared worst

doubly disturbing when one recalls that it is the reverse of what was promised when most of them being set up a generation ago. The politicians responsible pledged that, while having "parity of academic esteem" with universities, the polys would be far more geared to serving the

employment market. In the event, of course, they have turned out otherwise. Indeed it seems odds on that, of the final output of graduates they bave produced under the name of polytechnics this past summer, at least a quarter will be in the atbest-short-term category at the end of the year.

Still, that is far from the only example - let alone the most recent - of politicians' breaking their pledges, or of failing to control the mechanisms they have brought into being at the taxpayers' expense. And besides, perhaps the polys' elevation to the title of universities will help them to do better all round. After all, there is evidence that some employers snobbishly refused to recruit at them simply because they went under a lower

Michael Dixon

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Please apply to Box No. A1967, Financial Times.

ACCOUNTANCY COLUMN

Municipal Mutual and the insolvency quagmire

THE FINANCIAL troubles of Municipal Mutual, the company which insures nine out of 10 local authorities and many individuals, have once more brought the spotlight on to the need for urgent reform of insolvency legislation.

While policyholders - as well the beneficiaries of local government services and poll tax payers around the UK - are watching for the immediate outcome of negotiations with MMI over its future, MMI's problems have emphasised how greater attention should be paid to the wider framework within which the insurance

business operates. Every recent case of an insurance company experiencing difficulties has powerfully illustrated the argument for reform. Two issues in particular need to be addressed: the tools used by regulators to scrutinise corporate financial health, and insolvency procedures available when a company is unable to continue operating.

One of the most immediate concerns for MMI's creditors - stoked by criticism from the Labour party - is the role of the Department of Trade and Industry. As the regulator of insurance companies, should it have intervened more vigorously when

signs of trouble first emerged? MMI's difficulties did not come as a surprise. A heavily qualified audit report in the accounts for the year to December 31 last year, which was issued this July, showed clearly that the company had fallen below the statutory minimum solvency margin. The message resounded among

MMI's leading creditors, represented

Authorities, Association of District Councils, Association of County Councils and the Convention of Scottish Local Authorities. These organisations hired accountants at Touche

Ross to investigate.

Touche Ross's report issued at the end of September concluded: "There is a strong possibility that MMI will cease trading in the very near future and be placed in some form of insolvency proceedings ... We recommend that the associations advise members to seek alternative cover when poli-cies are due for renewal."

The DTI was clearly not in the dark either. It said last week that it had been in discussions with the directors of MMI over the future of the company at least as far back as March. It held back from using its powers to request a winding-up petition.

Criteria used by the DTI for assessing viability are somewhat opaque. They include a series of qualitative as well as quantitative measures such as profitability, liquidity and strength of setting aside reserves against future

Fundamental and enshrined in law, however, is the solvency margin, which is defined as the ratio of a company's net assets (its capital and free reserves) to the amount of premium income received in a given year. It measures the ability to pay claims.

The DTI stresses that there is no single magic figure for the ratio below which it will act. Legislation - notably the 1982 Insurance Act - lays down specific formulas by which it can be calculated for different companies. Officials say they might normally be content if the figure is twice

the 16 per cent minimum set down in EC regulations.

The solvency ratio is also widely nature of insolvency productions.

used by brokers and analysts. But many are becoming disillusioned with its effectiveness. It ought to be a proxy for the scale of risk being assumed. The stronger a company's capital base, the less the chance of it being unable to pay claims and the more insurance it can sell.

Yet that was no help in as Trinity Insurance, for example, which had a very high solvency margin and yet still became insolvent earlier this

The ratio's limitations include the fact that it does not measure the level and adequacy of claims reserves. It takes no account of the level of risk involved. Paradoxically, increasing premiums could reduce the ratio, while cutting premiums to uneco-nomic levels would increase it.

The ratio does not show the strength of a company's financial base, the details of its reinsurance arrangements, the type of insurance it underwrote, or the size of its manage-

acceptable level of solvency vary between regulators and the market, as well as over time. As a result, using the ratio is fraught with diffi-

A more fundamental problem is that the DTI's powers as a regulator are limited. If an insurance company breaches its solvency margin, all the department can ultimately do to petition the court via the secretary of state to appoint liquidators. There is little flexibility between that extreme and simply continuing discussions

That raises a wider point about the nature of insolvency proceedings for insurance companies. The existing law is not compatible with the structure of the sector, at least as far as non-life companies with "long-tail" business are concerned.

A whole series of difficulties arise if a insurance company is liquidated. There are legal disputes about whether reinsurers have to pay claims to such a company in full. The insurance market is disrupted. Policyholders experience lengthy, costly and tortuous procedures.

Perhaps most important, it takes many years before creditors can be paid. It is impossible to pay out until all liabilities are established. These rise regularly as actuaries adjust future claims each time new legal set-tlements occur. Meanwhile, insolvency practitioners are reluctant to pay out interim dividends since they are personally liable if they over-esti-mate the amount to be paid out. There are two intermediate solu-

tions. An informal scheme of arrangement, or a formal scheme under Section 425 of the 1985 Companies Act. would allow a more orderly run-off of existing insurance business with claims being paid as they arise.

But such negotiations are extremely delicate and time-consuming. A formal scheme requires support from at least 75 per cent of creditors by value. The first example of such a formal scheme, applied in the case of a small company called Monument Re., has only just been approved after nine months of discussions.

Reptition on a larger scale will not prove easy. The directors of Wal-

they arise, and give a quicker and less expensive solution for creditors. Without change in legislation, there can be little assurance for creditors to insol-

company with gross liabilities of more

than \$2bn, attempted to put together

an innovative informal scheme in

July with its leading creditors. But

they refused to co-operate, and the

company is now in a formal scheme

equally great, given that the company will have to cope with claims from

more than one million individual and

local authority policyholders.

The logical alternative – which

was made possible under the 1986

insolvency act - is administration,

the nearest UK equivalent to Chapter

11 in the USA. That would grant the company protection against its credi-

tors, and give it time to re-organise in

an attempt to continue operating. Yet for unknown reasons, the insolvency act specifically excluded insurance

Administration still has limitations.

As currently drafted, only two of its four strategies are feasible for insur-ers: a formal or an informal scheme of

arrangement. Mr Colin Bird, an insol-

vency partner at Price Waterhouse,

has recently been discussing changes to the law with the DTI which would

Mr Bird and a number of his col-

leagues would like to see the DTI able

to impose insolvency proceedings which would allow run-off to take

place. That would allow the practitio-

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To complement its senior management team, the Society is looking to recruit a General Manager (Finance) to take a front line role in the ongoing success of the Society.

Reporting the the Chief Executive, your brief will be to maximise the contribution of financial management to the successful performance and long term growth of the Society. You will be expected to provide considered financial analysis, evaluation and positive action.

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appointee must be able to grow with the business and become closely involved in detail and strategic

A qualified Accountant, ideally with Financial Services experience, is sought, with the ability to operate in a commercial people-orientated environment. Experience of Treasury would be



interested applicants are invited to send a full CV, quoting reference B/400/92, to Steven French closing date for applications is 19th October.

KPMG Executive Selection Peat House, 2 Comwall Street, Birmingham B3 2DL.

Financial Controller

■ Our client, the UK subsidiary of an American owned hi-tech group, is enjoying a period of sustained growth. It is looking to recruit a young, experienced accountant to the position of Financial Controller.

■ Reporting to the Managing Director, the Controller will be responsible for all accounting and finance functions for the UK business, as well as being a full member of the management team. Particular emphasis is placed on timely monthly reporting, as well as the provision of meaningful management information to run the business effectively.

 Candidates should be qualified accountants aged around 30 with a

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c.£30,000+Car minimum of two years post qualification experience gained, ideally, within a small/medium organisation. They must be computer literate and be able to demonstrate a hands-on approach to the role.

Interested candidates should write enclosing a detailed curriculum vitae with salary details and quoting reference SK415 to Suzanna Karoly, Ernst & Young Corporate Resources, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

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Financial Controller

London

£35,000-£40,000 plus car

Our client is a successful international PLC with an annual turnover in excess of £300m. The UK business comprises seven divisions with twenty nine operating units generating an annual turnover of £170m. Following a period of outstanding growth, the UK central finance function is to be re-structured and strengthened with the appointment of a high-calibre qualified accountant in this newly createst positions.

As a key member of a small, high-profile team you will report to the Finance Director and be responsible for all espects of the UK central finance function on a day-to-day basis. Your wide and challenging brief will encompets the consolidation and shallenging brief will encompets the consolidation and shallenging brief will encompete the consolidation and shallenging for group and divisional management; assisting to capital projects; the confeditation of year-end activities; the enhancement and rationalisation of existing systems and standards; the saury management and tax compliance. You will be assisted by two qualified staff.

You will be a computer-literate, qualified accountent with consolidation experience gained at manager level within the profession, or at group/divisional level within industry. Experience of tax compliance work would be an advantage. Probably in your late tyrenties or early thirties you will have highly developed interpersonal and organisational skills and a sound understanding of technical issues and their commercial implications. A plactical, commercial outlook and credibility at a senior level are essential.

BDO CONSULTING Please write in confidence to Richard Holland, at the address below, quoting reference 1697. Please include full safety and career details and a daytime contact number. 800 Consulting, 20 Old Bailey, London EC4M 7BH.



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Management Development Associates Limited, a leading training consultancy providing tailored in-company programmes for major organisations in the UK, wishes to recruit talented individuals experienced in teaching executive groups. Our prestigious client list includes manufacturing, commercial and service companies, notably banks, in the public and private sectors.

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First class intellectual ability evidenced by a good degree,

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LONDON Or other major European

- with return visits to your home base at weekends. it is essential therefore that you have the following: An ACA qualification from a large professional firm
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This position offers an excellent stepping stone into a line management role as well as providing the opportunity to work extensively throughout Europe. It should be considered as a more rewarding alternative for someone already thinking of transferring to a large practising firm in Europe. You will be working with professional colleagues in a congenial atmosphere. The excellent salary offered

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CV and a photograph at: Nicholson International (Search and Selection Consultants), Africa House, 64/78 Kingsway, London WC2B 6AH quoting reference number 9619, or fax details on 071 404 8128 or call directly on 071 404 5501 for an initial discussion.



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Finance and **Administration Director**

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In the first instance, please contact Helen Bamford or Jeremy Noble on 081-566 5900 or alternatively send your career details to them at: Grant Thornton, International House, 7 High Street, London W5 5DB.

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Reporting to the Principal, you will be tasked with ensuring that the necessary management and financial information systems are developed and maintained in order to facilitate the effective management of the college. This will include significant input into the college's budgeting process

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In the first instance please send your CV to Rosemary Hamilton or Chris Denington at Grant Thornton, International House, 7 High Street, Ealing London W5 5DB. Alternatively, please telephone them on 081 566 5900.

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Central Finance and Planning Manager 10 Package Farnborough, Hants £40,000 Package

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These changes have generated the need to recruit a young, dynamic, commercially minded Central Finance and Planning Manager. Working closely with the Director of Finance, the appointee will form part of the core team of senior financial managers who develop and implement financial policies for the organisation. Key responsibilities will include co-ordinating annual budgets and forecasts, receiving and analysing divisional reports, managing the head office accounting system and providing the board with timely management and financial information. Additionally there will be a requirement to develop, from scratch, a treasury function with the necessary systems support.

This is an excellent opportunity for a qualified accountant (aged 28-35) to participate in an exciting period of change. Ideally, experience will have been gained in a similar role in a large company environment. The ability to manage and communicate with people at all levels is essential.

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The appointment will initially be for a fixed term of three years.

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In this high profile role, the brief is to contribute to optimal divisional performance through the analysis of results and forecasts. You will develop a close working relationship with operating companies and divisions, and gain a thorough understanding of their businesses. The acquisitive nature of this organisation ensures a considerable amount of non-routine work and involvement in a variety of stimulating projects.

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We need additional staff in the Finance Department to help provide the full range of quality financial services to all our colleagues and external partners. If you feel you are more than just an accountant, and would like a worthwhile career using all your financial skills, contact us for an application form for one of

Financial Controller (Capital)

Salary up to £30,000

We need a qualified accountant who is experienced in accounting for property development (in either a housing association or property company), and in staff management, to head our development and capital accounting function. Reporting to the Head of Finance this is a key post vital to our future development and will offer real opportunities to the successful applicant. Closing date for all applications is Friday 23rd October 1992. Short listed candidates will be interviewed on Friday 13th November 1992.

Financial Accountant

Salary up to £25,000

A recently qualified accountant would find this new post an ideal opening to the expanding housing association sector. The post involves management and cash flow reporting and assisting the Chief Accountant and Head of Finance with Closing date for all applications is Friday 6th November 1992.

Short listed candidates will be interviewed on Friday 20th November 1992.

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Financial Controller

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You will need to be qualified to ACA or ACCA with at least 3 years' industry experience. Computer literacy with knowledge of Lotus 123 is also essential

To apply, send your CV to Box No A1959, The Financial Times Ltd, 1 Southwark Bridge, London SE1 9HL

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North of England

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Our client, a north of England manufacturer of consumer goods, is the recognised brand leader in its market, with exciting potential for further growth. The company is seeking to recruit an exceptional individual with strong financial and management skills to fill the key post of financial controller. Reporting to the Managing Director, the position involves responsibility for financial and management accounting, cash flow management budgeting and ad hoc reports. The successful candidate will be expected to make an overall contribution to the management team and play a key role in the development and growth

Candidates must be qualified accountants with industrial experience. An enthusiastic team approach, systems literacy and an ability to meet tight deadlines are essential.

Interested candidates should send comprehensive CVs together with salary details. Please quote reference A/4444 on the outside of the envelope and send to the address below.



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ADNOC is one of the major oil companies in the Middle East controlling the Exploration, Production and Processing of Oil, Gas and Associated Products in Abu Dhabi and the marketing of ADNOC's hydrocarbon products. ADNOC is strengthening its Internal Audit function and requires qualified and experienced candidates for the following position:

An individual experienced in conducting audits of computer SENIOR INTERNAL Service centres, existing and developing application systems, and office automation. The successful candidate should also

be capable of assisting the Head, Computer Audit in his duties and responsibilities to ensure that company assets are properly safe-guarded, data integrity is maintained, and operations are carried out in an effective and efficient manner.

The ADNOC Group Companies operate large ICL, IBM, HP and DEC/VAX mainframes as well as micro-computers and Local Area Networks with gateways. Knowledge of M&D Millennium would be a plus.

Candidates should have a recognized degree and professional qualification i.e. CISA, ACA, CPA, CDP, CIA with six years of accounting/computer experience with at least five years computer audit experience preferably in the oil or related industries.

The above position requires very good knowledge of English. Free Tax salary will depend on qualification and experience, ranging between \$36550 - \$45280 p.a. Other benefits include free accommodation, furniture allowance, medical care, 42 days annual leave, passages for employee and eligible dependents and educational assistance for eligible children. Interested candidates should forward their C.V.'s to:

HUMAN RESOURCES MANAGER PERSONNEL DIRECTORATE P.O. BOX NO. 898, ABU DHABI – UAE

ABU DHABI NATIONAL OIL COMPANY (ADNOC)

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As one of five Directors reporting to the Chief Executive, your job will be to monitor the financial health of higher education in Scatland. In particular, you will focus on assessing the financial management of the 25 dient institutions and will build a system for doing so. You will be responsible for the provision of general financial advice, as well as securing compliance with Scottish Office, Treasury and NAO regulations. You will be a qualified accountant with a solid track record of senior financial management, preferably with some

experience of the public sector, financial consultancy and audit. You will have hands-on experience in the development and implementation of financial appraisal and monitoring. As the head of a substantial division, you must demonstrate you are a team builder, a motivator, and an excellent communicator, with the sensitivity to manage external change. Reference FT/FAM.

Appointments will be fixed term, subject to negotiation, with performance pay potential and a non-contributory index-linked pension scheme. Secondments will be considered. Write in confidence quoting the appropriate reference number and enclosing your CV, to Tinsley Lockhart, Recruiting for Scotland, 9 Gayfield Square, Edinburgh EH1 3NT. Closing date for applications is October 21, 1992.

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A Seminar for Newly-Qualified Accountants

Robert Walters Associates, in conjunction with the Financial Times, is hosting a seminar aimed specifically for Newly and recently qualified ACA's or ACMA's at the Mountbatten Hotel, Monmouth Street, Covent Garden, on Tuesday 20th October 1992 at 7.00pm.

We have invited three speakers to discuss opportunities for accountants pursuing a career in this sector. Specifically this will cover roles in the Derivative Business areas, European expansion and its related demand for accountants, and recruiting from the Human resource perspective.

The aim of the Seminar is to assist participants who have gained experience in Financial Services and who are considering moving within the Banking Sector or leaving the Profession. The speakers, from Major Financial Institutions will discuss the demands, the variety of roles for accountants and the profile of individuals who may be best suited within a Banking and Capital Markets environment.

They will talk for 15 to 20 minutes each, after which time there will be an opportunity for all participants to discuss any relevant issues over drinks.

As places are strictly limited, please telephone Jackie Pearce on 071-379 3333 to reserve your place or write to her at Robert Walters Associates, 25 Bedford Street, London WC2E 9HP.

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This is a commercially oriented role, which offers exposure at the highest levels and significant personal autonomy. Reporting to the Head of Group Audit, the successful candidate will manage a small team and take responsibility for the creation and implementation of the overseas audit strategy. The focus will be upon Western Europe, North America and the Far East and a high proportion of your time will be spent abroad.

Candidates should be qualified accountants with at least four years' sophisticated audit experience gained in a major practice or industrial company. Additional line accounting experience

c.£35,000 + bonus + carwould also be useful. Commercial acumen, strong leadership

skills and top-level credibility are essential. Our client is looking for someone with a well-developed international outlook. A second European language, preferably German, and experience of auditing in Europe would be a distinct advantage. Whilst the company would prefer to base this job in London, it is happy to consider candidates living near an international airport elsewhere in the UK or Europe.

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If you have the necessary qualifications, the ability to communicate at the highest level and the strength of character to really influence the future of the business, call Tim Whale on the telephone number below or send a c.v. quoting Ref: FT9928.



Barry Latchford Associates Tel: 071-629 7594 10 Sedley Place, Mayfair, London WIR 1HG Fax: 071-495 1153

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FINANCIAL TIMES



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you will need to demonstrate an imaginative and creative approach and an ability to influence and logically promote your ideas.

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Chryssaphes Flammiger Associates, Avon House, Kensington Village, Avonmore Road, London W14 8TS.

LONDON STOCK EXCHANGE

Equities firm on chancellor's speech

By Terry Byland, UK Stock Market Editor

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THE UK stock market gave a relatively favourable response to the keenly awaited exposition of the government's economic strategy from Mr Norman Lamont, the UK chancellor of the exchequer. While his speech to the Conservative party conference damped down expectations of an immediate base rate cut which had spurred shares ahead early in the session, the stock market had decided by the close that lower rates are still in prospect before the

The FT-SE Index bounced convincingly above the 2,530 hurdle, touching 2,547.3 ahead of first reports of the chancel-

lor's speech. Suggestions of a
immediate cut in UK base rate
were sparked off by th
announcement that the Tree
sury planned a statement, bu
the driving force behind equ
tles was the sharp recovery in
the pound against the DM
which was encouraged by the
Bundesbank's apparent soften
ing of emphasis on some money supply targets. Hopes of
a cut in German interest rate
strengthened in London

As first reports of the chancellor's speech reached the City of London, sterling came off quite sharply and equities also reacted to the absence of any immediate developments on interest rates.

The gain on the Footsie was trimmed from 30.2 to 17.1 but selling was moderate and trad-

down at 156p, a fall of 4.3 per

cent on the day, making the stock the weakest performer

among Footsie constituents.

Yesterday's decline followed

a profits downgrade instigated by County NatWest. The bro-

ker, citing growing recession-

ary pressures, chopped its 1992

forecast from £180m to £170m.

County said Arjo shares have

bounced some 30p since the dividend shock three weeks

ago and that "any further

strength in the share price

should be seen as an opportu-

Positive hints over trading

continued to underpin the rise

in Asda shares, ahead 1% at

38%p in hefty turnover of 18m,

the heaviest traded stock of the

day. Nomura and UBS Phillips

& Drew both upgraded the

stores group yesterday after

speaking to the company, rais-

ing their estimates to £95m and

£110m respectively for this

While word from the com-

pany is that trading has

slightly improved, analysts cautioned that the company

was starting from a low base

and the shares were only a

good buy on a short-term

Currency considerations

gave a boost to selected phar-

macentical stocks. Glavo added

13 to 777p and Wellcome 27 to

recovery and yield potential.

nity to trade out".

Asda upgrades

Turnover was a hefty 4.2m.

Account	t Dealing	Dates
*First Dealings: Sep 21	Oct 5	Oct 19
Option Declaration Oct 1	Oct 15	Óc: 29
Lest Dealings: Oct 2	Get 16	Oct 30
Account Day: Oct 12	Oct 25	Nov 9

ers recovered their confidence as they watched Mr Lamont's speech on their television

By the close, the market had climbed to a final reading on the Footsie of 2,538.8, for a gain of 21.7 on the day. The Footsie has now recovered all but 11 points of Monday's dramatic 103 point loss, and equity chart strategists believe it could be set for an advance to the 2,790

In the hotel sector, a large

buyer of stock in Queens Moat

Houses saw the final turnover

reach 10m. The shares rose 11/4

to 351/ap. Forte gained 5 to 159p

aided by a renewed buy recom-

mendation from UBS Phillips &

Grand Metropolitan's return

to favour continued, the shares

climbing 3 to 391p, helped by

US broking house Merrill

Lynch raising its intermediate

term rating to above average from neutral. Hints that

tobacco giant Philip Morris

might be interested in buying

Heineken boosted Whitbread

which has a licensing agree-

ment with the Dutch brewer.

The 'A' shares jumped 17 to

Switching from Sainsbury, 6

up at 463p, into Tesco was

reported from a number of

institutions. Tesco's closed 7

ahead at 223p in heavy turn-

over of 9.6m, helped also by a

reiterated buy recommendation from UBS Phillips & Drew.

Talk that the chairman and

chief executive at conglomer-

ate Trafalgar House were

about to resign did the rounds.

The company is under siege

from Hongkong Land, which

last week took a 15 per cent

stake in Trafalgar and is shop-

ping for an equivalent stake.

The shares edged 1% forward

to 861/4p, just ahead of the 85p

offered by Hongkong Land, on

Turnover in motor compo-

nents group T & N rose to 9.4m

and the shares gave up 3 to

are reduced in the UK and in Germany.

Seaq volume of 517.6m shares yesterday compared with Wednesday's 545m, worth £1.1bn in retail business, a welcome return to the business levels seen after Britain's exit from the ERM in mid-Septem-

Also heartening for the stock market was the continued flow of corporate activity, some actual and some merely rumoured.

Hints of international bid interest took brewery stocks placing in the insurance sector again demonstrated the appetite of the institutions for good quality stocks. Firmness in the US currency

Equity Shares Traded

Turnover by volume (million)

1200 ------

400 mkgati-

200

the shares.

intra-mark

138p on reports that agency

broker James Capel had car-

ried out a placing of 4.5m

shares with a majority of the

day's business dealt at the 135p

Shares in engineering group

Siebe, depressed of late by a

stock overhang, were wanted

yesterday and gained 8 to 347p.

Kleinwort Benson, the compa-

ny's broker, was reported to

have shown a keen interest in

area, especially if interest rates against sterling continued to boost the dollar earning stocks. US interest was again reported among the pharmaceuticals. where Glaxo and Wellcome extended recent gains. UK institutions have been sellers of the big drug stocks over the past month but sector analysts in the UK now believe that prices will recover strongly on the back of demand from

across the Atlantic. Gains in the interest-related stocks were fairly modest, however, and investors appeared to be slightly disappointed by the absence from Mr Lamont's speech of a target range for sterling. The progress of the pound on currency markets is still the key factor in the timing of further reductions in UK

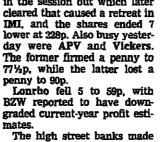
FT~A All~Share Index in the session but which later

> The high street banks made ble bid from the Far East.

The prospect of a post-ERM

86p, after news of the merger operations of Sun and Royal Insurance. Dealers were surprised at the decline in Sun long-term deal," said one spe-





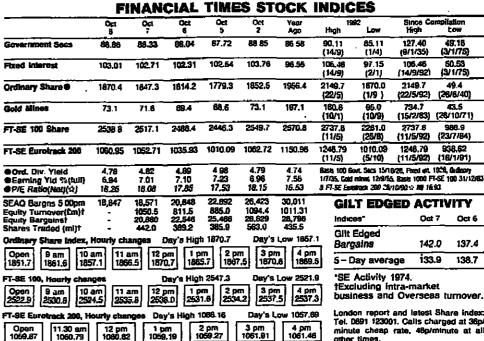
more good progress, NatWest adding 11 at 348p on 3.4m traded and Barclays, despite the lingering dividend concerns, a further 5 up at 342p. Standard Chartered put on 5 at 481p with speculative buying stimulated by hints of a possi-

burst of lucrative mergers and acquisitions was behind keen demand for the merchant banks. Kleinwort Benson rose 9 to 290p after an agency cross Sun Alliance retreated 7 to

of the Australian non-life shares; "it looks a sensible

MARKET REPORTERS: Joel Kibazo Steve Thompson Christopher Price.

■ Other market statistics, It was a stock overhang early



TRADING VOLUME IN MAJOR STOCKS

Refuge stake placed

THE PLACING power of Cazenove, the UK broker which has been notably successful in holding on its post-Big Bang influence in the UK equity market, was in evidence again yesterday as it bought a 10 per cent stake in Refuge Insurance and successfully placed the shares with institu tional clients.

Cazenove bought the 5.16m shares from Canadian Refuge Holdings for 645p a share and sold them on at 650p a share. The deal is the second big bought deal involving Cazenove in two days. On Wednesday, in a joint effort with Warburg Securities, it bought and sold a 9 per cent stake in Anglian Water from Lyonnaise des Eaux, the French group, a deal that netted the two broking firms more than £1.32m. Yesterday's deal was thought to have delivered a profit of more than £250,000 for Caze-

Refuge Canada Holdings, a separate Canadian life assurance group, held the stake in Refuge Holdings for many years. Refuge shares held rock steady throughout the session. closing at 680p. Other life shares suffered from selling by institutions keen to take advantage of the big discount available in the Refuge placing. Legal & General slipped 7 to 333b, Lloyds Abbey 7 to 331p and London & Manchester 8 to

Reuters wanted

A profits upgrading, hints of a forthcoming share split and expectations that an upcoming visit by leading UK analysts to the group's US operations may bring further re-ratings, triggered a strong rise in Reuters shares. The stock ended a busy session a net 22 higher at 1.264p on relatively good volume of 588,000 shares.

Goldman Sachs, the US brokerage, upgraded its profits forecasts for the group to reflect the weakness of sterling, pencilling in earnings per share of 69.7p for 1992, up from 66.6p, and 78.6p for 1993, up from 76.2p, to allow for earnings growth of 11 per cent, against a previous estimate of 10 per cent. Goldman labelled Reuters "our number one stock

Next week Reuters is taking a group of 10 leading UK analysts on a visit to Chicago, to view the Chicago Board of Trade market and the Chicago Mercantile Exchange to observe Reuters' Globex auto-mated trading systems, and then on to New York to see its Dealing 2000 system in operation. A presentation to UK and US analysts is also planned for later this month.

Arjo Wiggins Appleton, the packaging and paper group which fell from grace after a totally unexpected cut in the interim dividend last month, suffered another setback as one broker clipped its profits estimate. The shares closed 7

NEW HIGHS AND LOWS FOR 1992

NEW MIGNE (28).

BRITISH FURING (5) Trees, 8½pc '34, Trees, 10pc '94, Trees, 12 pc '95, Trees, 14pc '95, Trees, 12 pc '95, Trees, 14pc '96, Trees, 2pc II. '96, AMERICANG (5) Allegheny & Westh, Burkers NY, Own & Brailstreet, US West, Woolworth, BUSNESS SERVICES (1) Perms, CHEMICALS (1) Hotords, 2LECTRICHOLS (2) GEG, Recal, FOOD RETAILING (1) Shopton, MSURANCE BROKERS (1) Alexander & Alex.

RESURANCE COMPOSITE (1) American Int., INSURANCE LIFE (1) Torchmark, BVVESTHERN TRUSTS (1) Second Market, MOTORS (1) First Tech., OR. & GAS (1) Sridge, OTHER FINANCIAL (1) Templeton Galbrigh, STORES (1) Next, WATER (1) Mid Keng, MMES (1) Forsayth.

NEW COME (31).

AMERICANS (1) Americal, BURLDING MATERIALS (3) BITL FRINGE, CHH, Russell (A), BURSHESS SERVICES (2) Air London, Gardiney, Chesicolas (2) Perstorp.

CONSLOMERATES (2) Glaves, Lommo, COMTRACTING & COMSTRUCTION (3) Banner Homes, Dunlon, Shoto.

ELECTRONICS (2) Borland, Enterprise Comp., FOOD RETAILING (1) Ms 'W, HOTELS & LESURE (2) Hi-Tec, Zessera, RIVESTHEMS TRUSTS (3) Enthocor Dusi, Oo Zero P., First Spanish Wes.

MISCELLANEOUS (3) Construct & Fowler.

HOMES WINS WEST MOTORS (1) Velvo, Off. & GAS (1) Blystad, OTHER FRANKCAL (1) Nory & Sime, PACKAGNIC, PAPER & PRINTING (1) Sime, PACKAGNIC, PAPER & PRINTING (1) Sime, PACKAGNIC, PAPER & PRINTING (1) Carlesson (H).

FT-ACTUARIES SHARE INDICES ⁶ The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the institute of Actuaries and the Faculty of Actuaries

turnover of 4m.

		EQUITY GROUPS		Thurso	iay Oci	tober 8	1992	!	Oct 7	Oct. 6	Mos Oct 5	(approx)
f i g	FT	& SUB-SECTIONS gures in parentheses show number of stocks per section	Index No.	Day's Change	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	ladex No.	index No.	Index No.	Index No.
7	1		743.62	+0.3	7.81	5.89	16.61	27.44	741.46	729.26	726.25	822.36
•	2	Building Materials (23)	680.57	+0.1	7.69	8.08	18.40	34.67	679.93	664.17	665.91	998.90
	3		600.48	-0.5	3.52	8.39	184.91	32.23	603.55	594.84		1089.01
,	4	Electricals (9)	2042.75	+0.4	8.18	7.37	16.15	85.80	2034.86	2007,88		2562.44
	5	Electronics (27)	2080.91	40.6	7.84	4.09	16.05		2067.99			1736.16
١,	6	Engineering-Aerospace (6) Engineering-General (43)	280.47	+1.3	12.85	8.32	9.87	13.53	276,95	276.12		358.06
•	7	Engineering-General (43)	450.14	+0.4	8.98	5.22	14.21	15.00	448.18	441.09	444.24	487.74
1	8	Metals and Metal Forming (7)	307.63	+1.0	5.65	7.11	25.74	7.52	304.58	304,41	304.16	435.44 335.11
-	9	Motors (14) Other Industrials (19)	289.23	-0.6	9.16	8,16	14.37	14.79	291.01	295.33 1684.25	290.35	1601.48
5	10	Other Industrials (19)	11/23.40	+0.2	7.28 7.27	4.84 3.63	16.60 17.06	59.29 34.19		1553.81		1539.17
,	21	CONSUMER GROUP (191)	1000.41	+1.0	8.73	3.86	13.81	41.43		1861.98		
	22	Food Manufacturing (19)	1700.07		8.92	4.40	13.87	28.04		1197.62		
_	25	FOOD MANUFACTORING (19)	1201.77	+1.9	9.15	3.39	14.19	53.95	2677.47	2651.50		2469.93
•	20	Food Retailing (18)	2120.10	+1.7	5.30	266	21.89			4037.45		
ı (27	Hotels and Leisure (18)	1050.71	+0.1	7.42	6.44	17.73	45.99		1037.36		1320.15
)	27	Media (26)	1607 %	+0.4	6.18	3.29	20.19	35.10	1590.32			1514.72
- i	31	Packaging, Paper & Printing (17)	717 35	-0.5	7.07	4.52	17.60	22.00	721.26	714.76		
ιl	34	Stores (33)	1000 60	+0.6	7.06	3.59	18.86	19.14	1004.02			983.25
•		Textiles (9)	470 34	+0.3	7.08	4.58	17.77	16.65	669.50	665.72	663.82	623.65
:	22	OTHER GROUPS (117)	1247 72	+0.7	9.84	5.34	12.72	40.44	1258.93			1288.14
١.	47	Ductors Condens (10)	1121242	-0.6	6.74	3.87	18.18	25.69		1285.20		1410.03
١,	42	Chamicals (22)	1323 23	+0.4	7.41	5.49	16.75	48.39		1318.76		
- 1	43	Chemicals (22)	1259 95	+1.6	9.15	8.73	13.99		1239.83			
: 1	44	Tennenart (14)	2449 33	+1.1	8.21	4.83	14.99	76.54		2370.64		
	45	Slantelette (76)	1402 58	+0.9	14.83	5.23	8.69	55.01		1402.98		
٠l	46	Electricity (16)	1431.56	+0.6	10.56	4.61	12.35		1423.16			
:	47	Water(11)	2871.51	+0.9	15.58	6.03	7.11	86.85	2845.02	2894.78	2875.40	2422_36
٠,	48	Miscellaneous (22)	2157.07	+0.5	6.12	4.67	20 51	55.33	2146.59	2116,99	2054.35	1848.29
' !		INDUSTRIAL GROUP (482)	1273.50	+0.8	8.20	4.58	15.28	35.07	1263.86	1249.76	1231 77	1283 49
۱ ۱			2019.42	+0.5	6.68	6.42	19.62		2009.44			
.	51							_				
	59		1343.09	+0.7	8.04	4.77	<u>15.64</u>	39.07	_	131 <u>9.7</u> 8		
: 1	61	FINANCIAL GROUP (83)	747.37	+0.8		5.91		30.11	741.43	731.32	719.52	798.64
. 1	62	Banks (9)	1016.63	+L2	5.10	5,47	29.45	40.52	1004.29	991.41	975.68	
. [65	Insurance (Life) (6)	1539.04	-0.3	-	5.91	- 1	67.14				
: 1	66	Insurance (Composite) (7)	524.93	-0.3		5.73	,	18.85	526.42	519.20	502.99	607.01
1	67	Insurance (Brokers) (10)	698.00	+2.5	10.25	8.04	12.82	42.23 13.71	681.32	682 87 451.98	454.09	1127.39 473.24
Į	68	Merchant Banks (7)	405.4/	+1.8	10.42	4.81 8.17	12.74	22.76	457.02 539.38	534.75	532.56	909.88
۱ ۱	69	Property (30)	247.57		8.27		15.88	9.35	239.93	239.00	238.70	259.38
1		Other Financial (14)	291.37	+0.7	_	6.91						
. 1	71	Investment Trusts (70)	1142.42	+0.8_		3.93	_=_		1133,30			
Н	99	ALL-SHARE INDEX (653)	1199.54	+0.7		4.90		36.41	1190.67	1178.08	1161.71	1241.04
			Index No.	Day's Change	Day's High (a)	Day's Low (b)	0ct 7	Oct.	0ct 5	Oct. 2	0ct 1	Year ago
	_	FT-SE 100 SHARE INDEXA		1217	2547.3		2517.1	2498 4	2446.3	2549.7	2572 3	2570.8
		LI-DE TAN DUNKE TUREY\$ **********	الا.لادية	TEAL	271130	71		a TOPAC TI	4 41A'A.			

FIX	ED I	NTE	REST	r			AVERAGE GROSS REDEMPTION YIE	LDS	Thu Oct 8	Wed Oct 7	Yea ago Cappro
PRICE INDICES	Thu Oct 8	Day's change %		Accrued Interest			Coupous 15	YESTS	7.93 8.83 9.09	8.00 8.95	8. 9.
British Government 1 Up to 5 years (22) 2 5-15 years (25) 3 Over 15 years (8) 4 Irredeemables (6) 5 All stocks (61)	138.95 143.83 160.74 136.51	+0.70 +1.19 +1.08 +0.59	125.24 137.98 142.13 159.02 135.71	3,72 2,21	9.31 10.59 9.97 8.83 10.25	4 5 6 7 8 9 10	Medium 53 Compons 159 (8%-103; %) 209 High 59 Coupans 159 (217%-) 209 Irredeemables	Up to Syrs.	8.52 9.31 9.45 8.79 9.61 9.67 9.62	9.21 8.61 9.45 9.59 8.87 9.76 9.82 9.72	9.1 9.1 9.1 9.1 9.1 9.1
6 Up to 5 years (2) 7 Over 5 years (10) 8 All stocks (12)	158.29	+0.71	175.91 157.18 158.56	0,53 0.93 0.87	3.25 3.64 3.56	13	inflation rate 5% inflation rate 10% inflation rate 10%	Over 5 yrs Up to 5 yrs Over 5 yrs	4.11 2.83 3.94	4,16 2,89 3,99	4.5 3.5 4.0
9 Debs & Laans (62)			115.23	1.99	9.58		Debs & Luces	5 years 15 years 25 years	10.10 10.68 10.73	10.17 10.76 10.81	11. 11. 10.

40 peaing lodex 2522.9, 9 am 2530.6; 10 am 2524.5; 11 am 2535.8; Noon 2538.0; 1 pm 2531.6; 2 pm 2534.2; 2.30 pm 2540.0; 3 pm 2537.5;
4.10 pm 2538.0; (a) 11.11am (b) 10.19am r Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1.9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these Indices. These are available by subscription from FINSTAT, 3rd Floor, Number One, Southwark Bridge, London SE1.9HL.

EQUITY FUTURES AND OPTIONS TRADING

SPECULATIVE buying in anticipation of a cut in UK base rates gave an early boost to derivates, much of which petered out later in the day, writes Joel Kibazo.

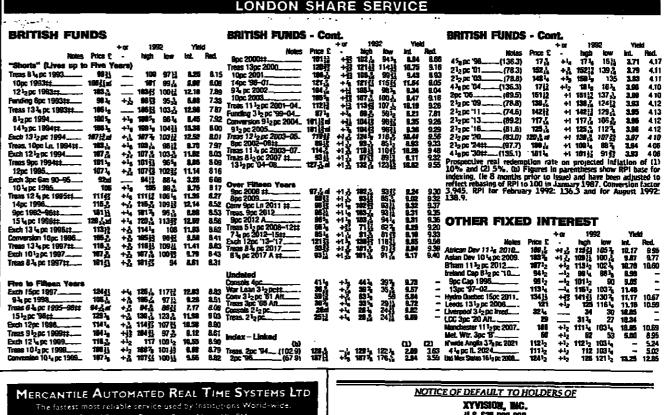
In Footsie futures, the December contract saw demand mostly from independent traders at the session's opening and the first bargain was struck at 2.560. Further demand in anticipation of pos-itive news on UK interest rates

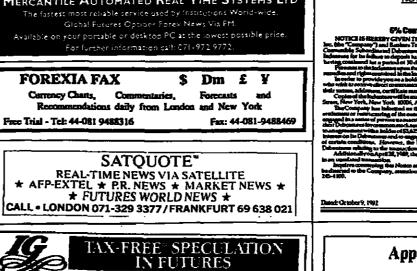
drove December higher and by 10.30am it was trading at the day's high of 2,585.

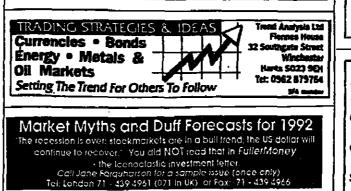
The lack of an announcement on interest rates led to a sharp retreat in the contract and it fell to 2,550, the low point of the day.

The early strength of Wall Street proved a stabilising factor and December slowly clawed its way back to end at 2.580, around 10 points above its estimated fair value premium to cash of about 32. Turnover was reasonable at 9,893 lots.

Volume in the options reached 32,468 lots with the FT-SE 100 option trading 13,760 lots. Amstrad was the busiest stock option with a total of 2,557 lots dealt. The June 30 calls were the busiest series. This was followed by Barclays at 1.886 lots, and then by Asda, in which 1,508







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Appointments Advertising appears every Wednesday & Thursday Friday

(International edition only)

RE: THE FIRST MEXICO INCOME FUND N.V. In our capacity of Managing Director of The First Mexico Income Fund N.V. we herewith inform you that a dividend payment of USS 0.68 per share of Common Stock has been declared on September 18, 1992. The Dividend Record Date and Ex-Dividend Date will be October 9, 1992. The Dividend Payment Date will be October 15, 1992. This dividend corresponds to the period July 1, 1992 through Scptember 30, 1992.

PIERSON TRUST (CURAÇÃO) N.V.



BERKELEY FUTURES LIMITED 15 PARK ROAD, REGENTS PARK, LONDON, NWI 8XN, ENGLAND TEL: 071-224 8489 FAX: 071-224 8275

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CURRENCIES.

FOREIGN EXCHANGES D-Mark eases against dollar

STERLING, the dollar and the Italian lira all rallied against the D-Mark yesterday as dealers continued to believe that the Bundesbank would cut its official interest rates again this

month, writes James Blitz. Earlier this week, the Bundesbank added liquidity to the German money market at a fixed rate of 8.9 per cent, 60 basis points below the Lombard rate and 80 basis points below the level at which it was

adding funds three weeks ago. Two Bundesbank Council members have also commented that the M3 indicator of monetary supply indicator should lose some of its status as the

fulcrum of monetary policy.

These moves give the impression that the Bundesbank has positioned itself to cut official rates to meet growing signs that the country is moving into recession. "There is a growing perception that this is the big turn in German economic policy," said Mr Mark Austin, chief economist at HongKong and Shanghai Banking Corporation in Lon-

These moves continued to push the dollar up to a London close of DM1.4730 yesterday. more than 3 pfennigs higher on the day and nearly 6 pfennigs

£ IN NEW YORK

C Spot 1.6585-1.6695 1.7100-1.71
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STERLING INDEX

	Oct 6	Previous
8 30 am 9.00 am 10.00 am 1 00 am 1 00 pm 2.00 pm 4.00 pm	82 1 82.0 81.5 81.7 81.7 81.9 82.1 82.1	82.5 82.4 82.4 82.5 82.4 82.5 82.1 82.1 82.0

CURRENCY MOVEMENTS

Oct. 8	Bank of Esgland index	Morgan ** Guaranty Changes ***
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Oct 8	Bank #	Special *	Europeas		
	rate	Oranneg	Carrency		
	%	Rights	Unst.		
ring	-	0 844594	0.79228		
Dollar	300	1.45988	1.3350		
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Finland.	7 8710 - 7.8750	4,6525 - 4 6545
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Saudi Ar .	6 2805 - 6.4700	3.7495 - 3.7505
Singapore S.Af (Cm)	2.6990 - 2.7075 4.8205 - 4.8350	1.5990 - 1.6000 1.8565 - 2.8605
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rmyand,	7 <i>873</i> 0 - 7 <i>875</i> 0	
Greece	318 200 - 324,600	187.400 - 191.150
Hong Kong	13.0550 - 13.0755	7 7310 - 7 7320
iran	2479 00"	1435.00°
Kores(Sth)	1330 15 - 1351.55	780.80 - 787.00
Kurwatt	0 19625 - 0 49725	0.29390 - 0.29420
Luciembourg	51.15 - 51.25	30.25 - 30.35
Malavsia	4 2315 - 4 2450	2 5055 - 2 5065
Mexico	50±0 40 · 5071.85	3108.50 - 3109.50
N Zealand .	3.1125 - 3.1175	1.8390 - 1.8420
Saudi Ar .	6 2805 - 6 4700	3 7495 - 3 7505
Singapore .	2.6990 - 2.7075	1.5990 - 1.6000
5.Af (Carl _)	4.8205 - 4.8350	28565 - 26505
SAF(Fn)	7.5060 - 7.5550	4.3480 - 4.3760
Talwan	42.65 - 42.85	25.20 25.30
UAE	6 1500 - 6 3370	3.6715 - 3.6735
Tricalleg rat	e, Irao Official rate.	1105.50 SAZ 70

MONEY MARKETS Watching Germany

contract opened yesterday at

91.88, a level which assumes

that there will be something close to a full percentage point cut in rates before the end of

the year. As Mr Lamont's

statements came out yesterday, the contract dipped

to a low of 91.75, tracking a 2

However, the contract later bounced back with sterling, to

close at 91.93, 12 basis points

up on the day. Cash rates were a little less

volatile. The three-month

offered rate for cash - seen as a good guide to the future

direction of interest rates closed at 8% per cent, 4 per cent down on the day. One

month money eased for the

second day running, closing at 91 per cent offered, from 91

Dealers were slow to offer bills to the Bank of England

yesterday until Mr Lamont's

speech was over. A shortage of

The Bank purchased £20m in

a repurchase agreement at 8% per cent. £138m of Band 1 bank

bills at 8% per cent, and £170m

of Band 1 bank bills at 8% per cent. There was late assistance of £455m.

and the second of the second o

\$200m was forecast and later

revised up to £950m.

per cent.

pfennig fall in the currency.

RATES in the sterling cash However, another suggested market softened again yesterthat the Bundesbank might end up "saving Mr Lamont's bacon." day as dealers continued to believe that the Bundesbank The December short sterling was positioning itself to cut its

official interest rates. The German central bank's decision in recent days to reduce the rate at which it deals in the German money markets to 8.9 per cent has fuelled speculation that it could cut its official Lombard rate by about 50 basis points without causing a reversal in the D-Mark's fortunes.

By contrast, Mr Norman Lamont's speech at the

UK clearing bank base leading rate 9 per cent from September 22, 1992

Conservative Party conference left dealers uncertain about the government's immediate policy on UK base rates. The chancellor said that he had "not set a target range for the exchange rate." However, he added that he did not propose to set a policy of of setting interest rates in relation to domestic criteria "and then letting the exchange rate go

As one discount house trader said: "The policy vacuum remains. We are no clearer about the UK's policy now than we were two weeks ago."

higher on the week. Two of the free floating currencies in Europe, the lira and sterling, continued to gain ground. The lira closed at L888.0 against the D-Mark, L22.9 higher on the day, and a staggering L92 higher than its

low point on Tuesday. Sterling also benefitted from the growing perception that a cut in German rates will weaken the D-Mark and give the UK government more room to manoeuvre on interest rate cuts. The pound closed at DM2.4900, up nearly 2 pfennigs on the day. By contrast, Mr Norman Lamont's speech to the Conservative Party conference, which was billed as out-

support the currency. The pound actually lost 2 pfennigs

as an accompanying policy

document was issued, bottoming out at DM2.4650. "The

tors could be a precursor to a rate cut and that he would not be surprised by a 1 percentage point cut today, the final day of the conference. Currencies inside the lining the government's new economic policy, did little to

Exchange Rate Mechanism did
not rally because there were
continuing fears of a realign-
ment to support the weaker
members. The French franc
closed higher at FFr3.3920 to
the D-Mark, while the peseta
weakened to close at Pta7L45
against the German currency.

speech and the Treasury docu-ment were a disappointment

because there was nothing new," said Mr Austin. "It was a

re-hash of the 1980s policy of throwing all the indicators into a basket and looking at them

However, another analyst suggested that the increased

emphasis on monetary indica-

EMS EUROPEAN CURRENCY UNIT RATES						
	Ecu Central Rates	Carrency Amounts Against Ecn Oct 8	Change from Central Rate	% Spread vs Weatest Carrency	Divergence indicator	
igias Frant nch Galider Mark	41 9547 2.79193 2 03412 6 82216 7 75930 6 759300 176 844 139 176	40 4540 2 21037 1 96379 6 66101 7 59318 0 745489 174 525 140 304	-3.56 -3.56 -3.46 -2.36 -2.07 -1.42 -1.31 0.81	4.55 4.53 4.42 3.25 2.94 2.27 2.15 0.00	48 48 56 -13 -24 -53 2 -35	

re for could provide tables to be acted market and Eas central rates for a currency, method recreating difference between the acted market and Eas central rates for a currency, and then exceeding different rates. (17% Series and Market from its Eas central rate. (17% Series) and Market from EASA. Advisorable calculated by Flagacial Topic.	الاستعم بسمه

POU	ND SPOT	FORWAR	D AGAIN	ST	THE POU	ND
Oct. 8	Day's	Close	One pageth	% pa	Three months	% pa
US	50.75 - 51.30 9 4850 - 9 6250 0.9210 - 0.9480 2 4650 - 2 4925 216.50 - 222.25 175 00 - 178.25	1.6895 1 6905 2 1105 2 1115 2 1750 28050 51.15 51.25 9.5975 9.6075 0.9440 - 0.9450 1.24975 - 2.4978 2210 75 - 2211 75 10.1175 - 178 65 2210 75 - 2211 75 10.1175 - 10.1275 1.4400 - 8.4500 9.3500 - 9.3600 17.51 - 17.53 2.1950 - 2.2550 1.751 - 1.275	0.88-0 Scom 0.41-0 Stope 2-1-parties 2-1-parties 1-40-0.85-pm 4-series 3-7-parties 1-2-77-linels 3-6-parties 1-2-77-linels 1-2-parties 1-7-parties 1-7	618 219 0.27 0.35 6.429 0.84 10.84 -5.77 -3.55 0.39 -2.41	2-04-2-37 pm 0-9-0-78 pm 2-1-13-06 2-1-13-06 2-7-2-14-06 1-1-14-06 1-1-14-06 1-1-14-06 1-1-14-06 0-7-3-08-06 0-7-3-08-06 0-7-3-08-06 0-7-3-08-06	5.68.712.88.60.01.00.00.00.00.00.00.00.00.00.00.00.00
Commercial r 7 74-7,64pm	ates taken (gwards ti	e end of Landen trac	log. Siz-month fore	eard doil	ar 4.96-4.31pm . I	Z Moeth

0ct 8	Day's Spread	Clase	One raceth	11. %	Three	9. P.
Kt tandt sada sada siberiands signari singari	1 6790 1 1975 1 7825 - 1 7975 1 7825 - 1 7975 1 7825 - 1 7975 1 7825 - 1 7975 1 7825 - 1 7825	1.895 - 1.6905 1.787 - 1.7880 1.260 - 1.240 1.656 - 1.675 5.890 - 5.830 1.4725 - 1.4735 1.30.5 - 1.05.5 1.30.5 - 1.30.55 1.30.5 - 1.30.55	90-140ath 14.00-18.00Tireds 5.00-7.00redis 3 45-3 95aths	のようではないないない。 のはまないないないないない。 のはまないないないないないない。 のは、ないないないないないないないない。 のは、ないないないないないないないない。 のは、ないないないないないないないないない。 のは、ないないないないないないないないないない。 のは、ないないないないないないないないないないないないないない。 のは、ないないないないないないないないないないないないないないないないないないない	240-237pm 726-6 20pm 120-1406s 226-232ds 41,00-44 002h 12,00-17,000s 204-20-68 304-8006s 42,00-47,000s 14,00-18,500s 14,50-19,500s 14,50-19,500s 10,51-19,500s 10,1-10,500s 10	54715562157476685776661431 -5-5-10-5-12-12-12-12-12-12-12-12-12-12-12-12-12-

Oct 8	Short (erm	7 Days	Ose Mouth	Three Months	Six #Souths	One Year
Sterling US bolitar Lac Dollar Dutch Guilder Dutch Guilder Dutch Guilder Swiss Franc D-Reart French Franc Latrian Lira Latrian Lira Selylan Franc Danish Krone Skalan Ssing Spanish Peseta	91. 94 31. 34. 64. 68. 94. 94. 9 121. 16 94. 94. 12. 16 13. 12.	94 - 94 34 - 34 7 - 64 94 - 84 94 - 94 124 - 124 164 - 44 164 - 44 164 - 44 164 - 124 164 - 124	91. 3 34. 31. 7. 3. 5 9. 30. 91. 11. 91. 12. 91. 12. 91. 12. 11. 12. 11. 12. 12. 12.		aricaspersonal	8 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2

			EXC	AH	NGE	CR	DSS	RAT	TES.			
Qct.8	5	2	BH	Yea	F F1.	5 Fr.	N Fl.	Ura		B Fr.	Pla.	Ecu ·
E S DM YEM FFr. SFr. M Fl. Lina CS B Fr. Pt. Em	1 0.592 0.402 4 890 1,184 0.455 0.357 0.452 0.474 1,953 0.562 0.78b	1.690 1 0.679 8.264 2.901 0.768 0.604 0.764 0.811 3.301 0.950 1.329	2.490 1.473 1 12.18 2.948 1.132 0.889 1.126 1.180 4.863 1.400 1.958	204.5 121.0 82.13 1000 242.2 92.95 73.04 92.49 96.87 399.4 115.0 160.8	8.445 4 997 3.392 41.30 10. 3.839 3.016 3.820 4.600 16.49 4.747 6.639	2.200 1.302 0.884 10.76 2.605 1 0.786 0.995 1.042 4.297 1.237 1.730	2,800 1,657 1,124 13,69 3,316 1,273 1 1,266 1,326 5,469 1,574 2,201	2211 1308 888.0 10812 2618 1005 789.5 1000. 1047 4318 1243 1738	2111 1,249 9,848 10,32 2,599 0,960 0,754 0,955 1 4,123 1,187 1,660	51.20 30.30 250.4 50.63 25.16 25.16 26.25 100.78 40.25	177.9 105.3 71.45 869.9 220.7 80.86 63.54 80.46 84.27 347.5 100.	1.272 0.753 0.511 6.220 1.506 0.576 0.454 0.575 0.603 2.484 0.715
You per 1	fen per 1,000; French Fr. per LO: Lira per 1,000; Belgian Fr. per 100; Peseta per 100.											

MONEY AND CAPITAL

LIFFE LONG GOLT FUTURES OPTIONS	LIFFE US TREASURY BOND FUTURES OPTIONS	LIFFE BURD FUTURES DETUNS
£50,000 640s of 100%	\$180,000 640% of 100%	DM258,000 points of 100°.
Strüe Calls-settlements Prins Der Miter Der 1488 93 3-41 4-10 0-27 1-488 94 2-51 3-31 0-27 1-488 95 2-06 2-86 0-86 1-54 96 1-31 2-22 1-37 97 1-02 1-56 1-52 2-54 98 0-42 1-31 2-22 2-54 98 0-42 1-31 2-22 2-54 98 0-42 1-31 2-22 2-54 98 0-42 1-31 2-22 2-54 98 0-42 1-31 2-22 2-54 98 0-42 1-31 2-22 2-54 99 0-25 1-09 3-14 4-07 100 0-100 0-100 0-100 1-200 1-200 Estimated wohme total Calls 5857 Puls 4937 Previous day's open Int. Calls 50001 Puts 44973	Strike Calls-settlements Pers-settlements Price Dec Nary Dec Nary Local Lide R 100 5-40 3-40 0-28 145 102 2-5 3-40 0-43 2-46 103 2-5 120 2-5 3-40 0-43 2-46 103 2-5 120 120 120 120 120 120 120 120 120 120	Strike Calix-petitioners Prots-petitioners Prots-petitione
LIFFE EURONARK OPTERS	LIFFE ITALIAN GOVT. BOND ISTM FUTURES	LEFFE SHORT STEELING OFFENS
DNCIng points of 180%	OPTIONS Line 200m 1981m of 100%	SSPR,800 points of 180%
Strike Calls-settlements Pats-settlements Price Der Blar Dec BAR 9100 0.86 1.49 0.06 0.03 9125 0.46 1.26 0.11 0.05 9150 0.48 1.03 0.18 0.07 9173 0.34 0.23 0.29 0.12 9200 0.25 0.46 0.45 0.49 9225 0.15 0.49 0.60 0.28 9250 0.99 0.37 0.79 0.41 9275 0.06 0.27 1.01 0.56 Estimated volume total, Calls 2414 Puts 575 Previous day's open int. Calls 142443 Puts 79414	Strike Calls-settlements Puts-settlements Prize Dec Mar Dec Mar Best Mar Be	Strike Calls-Settlements Pats-settlements Price Det Nar Det Skir Det Skir 1910 0.13 9125 0.79 1.54 0.10 0.13 9125 0.79 1.53 0.15 0.17 9150 0.50 1.13 0.21 0.22 9175 0.44 0.92 0.30 0.20 0.20 0.20 0.31 0.77 0.42 0.36 0.25 0.25 0.21 0.52 0.57 0.46 9225 0.21 0.52 0.57 0.46 9225 0.24 0.48 0.75 0.57 9275 0.09 0.37 0.75 0.71 Estimated solution trial, Calls 2509 Pats 2821 Previous day's opes Int. Calls 138237 Pats 107811
9% HOTESHAL BRITISH GOLT	U.S. TREASURY BOMOS (CBT) 8%,	JAPANIESE YEN (IMM)
ESO,800 32mis of 100%	\$199,899 32ept of 189%,	Y12.5m \$ per Y100
Close High Low Pro- bec 96-07 96-14 95-12 95-13 Mar 96-01 96-03 95-31 95-0 Estimated volume 36156 (32495) Provious day's open lat. 59(379) (9941) US TREASURY BONDS 975.	Label High Law Pres.	Dec 0.8252 0.8305 0.8255 0.838 Mar 0.8254 0.8256 0.8247 0.827 Jun 0.8273

7 to 10 YEAR 19% HOTTOWAL FRENCH BOND GIATIFI FUTURES

THREE-MORTH PINOR FUTURES (MATIF) (Park labelyank affered rate)

CAC-40 FUTURES (MATIF) Stock lader

Bank of Baroda Banco Bilbao Vizcaya Bank of Cypros

Bank of Jacks Bank of Scotland Banque Belge Ltd Barciays Bank

December 104.10 104.42 +0.24 Extensive volume 1,960 † Total Open Interest 13,514 OPTER ON LONG-TERM FRENCH BOND (MATER)

Open Int 335,396 81,930
Estimated volume 38,817 † Total Open Interest 700,233

90.68

+0.03

108.82 109.30 109.52

9,35 8,44 8,25 8,18 8,23

0.81 1.10

1.92 62,283

Rea Brothers
Routeurghe Bank Ltd.
Regal Bit of Scotland
Societh & Williams Secs.

Standard Chartesed 758

Umihank ok ...

90.73 91.60 91.65 91.90 91.81

1702.0 1715.0 1733.0

MARKETS

.y.	Dec 104-06 104-12 103-28 104-16 Mar 102-28 103-06 Estimated volume 307 (595)
_	Previous day's open int. 1550 (1520) 6% NOTISHAL GERMAN GOVT. NOTIS
•	046250,000 100ths of 100% Close High Low Prev.
-	Dec 9112 9130 9095 9111 Mar 9139 9151 9129 9134 Estinated volume 51980 (89963)
	Previous day's open Int. 164717 (168415) 6% HOTTOWAL LONG TERM JAPANESE GOVT.
	BOND Y180m 100ths of 100% Close High Low Dec. 106.26 106.30 106.10
ages the	Nam 105.59 Estimated volume 1211 (777) Tracks exclusively on APT
itied	9% NATIONAL ECU BOND ECU 289,800 100% of 180%
- 1	Ton 150 444 TOSDE 41 150 10

	Traced exclusively on APT	
	9% NOTIONAL ECU BOND ECU 200,000 100% of 100%	
	Close High Low N A Estimated volume 0 603 Previous day's open int. 0 408	Pi
	12% NOTIONAL ITALIAN GOVT. SOND GETP! LIPA 204m 100th of 100%	•
1	Clase High Low	Pi

5	12%, 100 UBA 20	MIDHAL ITAL Bin 100tter of	180% 180%	. BOND (81	P) •
66871288 687 6887 643 643 643 643 643 643 643 643 643 643	Dec Mar	Close 86.85 87.55	High 87.60 87.95	85.60 87 95	Prev. 86.38 87.08
30 IA		d volume 120 day's open is			
16 17 24	THREE I	MONTH STER Desirats of 1	10%		
14	Dec Mar	Class 91.89 92.41	High 91,95 92,43	100 91.75 92.24	Pres. 91.81 92.31
	Jen Sep Dec	92.55 92.49	92.60 92.49	92.24 92.34 92.30	9231 9239 9235
33	Mæ	92.28 92.02 (Inc. figs. oo	92.25 92.00 t shows! 4	9213 91.89 4447 (4144	91.90 91.90
_	Previous	day's open in	225710	(224141)	
- 1		6017H EURO 8 of 190%	OMTHE .	•	

Dec Mar Jan Sep Est, Vol. Previous 4	Close 96.81 96.43 96.43 96.02 (Inc. (lgs. or lay's open la	High 96.89 96.80 96.47 96.00 ot shores) 2 4. 22584 0	10m 96.78 96.73. 96.39 95.98 908 (1838) 22485)	96.7 96.7 96.4 96.0
Oec Mar Jun Seo Dec Mar Estimated	BR(7) EURA plants of 100 Close 91 80 92 46 92 75 92 90 92 98 **Okame 575 87's open lat	High 91.88 92.51 92.90 92.97 93.00 81.00543		Pro 91.8 92.7 92.7 92.9 93.0

Previous d	ay's open h	t, 363725	(358121)	
	WIR ECU olds of 18	1%		
	Close 90.06 90.81 91.02 91.28 volume 131 ay's epen is		Low 89 92 90.70 90.99	99.9 90.7 90.9 91.2
	WITH EURO Sists of 180		EADIC	
Dec Mar Jus	Gost 93.71 94.20 94.27	High 93.91 94.22 94.40	93.65 94.07 94.26	93.8 93.8 94.2 94.36

Previous (gay, s obeq ju	L 40788 (38887)	
THREE N	IGNITE EURO Odno polets a	LIRA INT. 7 100%	BATE	
Dec Mar Jon Sep Estimated	Close 84.70 86.00 86.37 96.62 I volume 112 kg/s open hr	Hist 85.50 86.25 86.50 86.70	84.50 86.00 86.40 86.70	Pre- 84.4 85.7 86.15 86.4
FT-SE 10			[m	_
	THE STATE OF	ragii	-	110

£25 per fo	i index se			
Dec Mar Jan Escienated Previous da	2578.0 2578.0 2611.0 2634.0 rotome 114	High 2590.0 142 (9156)	2548.0	2557 (2590) 2590) 2613 (
			ing prices si	igen.

POUND - DOLLAR FT FOREIGN EXCHANGE BATES 1-ath 3-mth 6-mth 12-mth 16814 16669 16481 16160

FT LONDON INTERBANK FIXING

The fixing races are the aritimetic means rounded to the neurol one-statement, of the bid and offered rates for Silom contest to the maries by five reference banks at 11.00 a.m. each working day. The banks are Matienal Westerdester Bank, Bank of Tokyo, Denissive Bank, Banque Matienal de Paris and Morgan Septembry Trest.

MONEY RATES

Two Mouths

8.90-9.00

1212-1312

LONDON MONEY RATES

One Month

94 93

Treasury Bills (sell); one-month 8½ per cent; three months 8½ per cent; six months 8½ per cent. Bank Bills (sell): one-month 8½ per cent; three months 8½ per cent; Treasury Bills; Arerage tendor rate of discount 8.1.102. ECGD Fixed Rate Sterling Export Finance. Make on described and the sell of discount 8.1.102. ECGD Fixed Rate Sterling Export Finance. Make on described and the sell of t

9%

D1.00 a.m. Oct.80 3 reactifs US dollars

NEW YORK

Lunchtime

offer 34

Brit Bit of Mid East ... Brown Shipley CL Bank Nederland ... Chilbark NA City Merchants Bank City Merchants Bank Cooperative Bank

6 monds US Dollars

Manche Six

8.40-8.55

114-114

84 82 84

9.50 9.60

0ee Year

81₂ -3.26 53 104 105

Nd 34

Treasury Bills and Bonds

8.80-8.95

114-114 61-61 8.70-880 36-38 174-174 81-9 124-134

915 815 3.15 57 12.5

United the firm. O United Blot f Kuwalt. O Unity Trest Bank Plc. Western Trest. Whiteway Laidlaw. Whiteway Laidlaw. Whenher Bank. Whenher of British Merchant Banking & Securities Houses Association. Houghong & Shangkai ... Jurian Hodge Back © Leopold Joseph & Sons ... Lloyds Back Mestral Bank Lid

BASE LENDING RATES

Cresit Lyonsais...... Cyprus Popular Bk Duncan Lawrie

Eneatorial Bask plc Eneter Bask Limited Financial & Gen. Bash ...

Robert Fleming & Co.....
Robert Fraser & Ptors. ...

Girobask Submess Mahon Habib Bank AG Zurich

Notice of Payment of Principal Installment and Interest Siderca salo

(INCORPORATED IN ARGENTINA) 10% NEGOTIABLE OBLIGATIONS -- CLASS 1991

Notice is hereby given of the payment on November 9, 1992 of the first installment of principal and the second payment of interest on the 10% Negotiable Obligation - Class 1991.

For the 186 day (360 day basis) Interest Period from May 7, 1992 in November 9, 1992 interest will be payable in US Dollars per 51,000 denomination, 551,65; per \$10,000 denomination, 55,166.67, and per \$100,000 denomination, \$5,166.67. The corresponding payment of principal and interest shall be effected upon presentation of Coupon No. 2, as of November 9, 1992, to the respective Paying

The Bank of New York 46 Berkeley Street London WIX 6AA, England Between 9:00 a.m. and 4:00 p.m. Banque Bristelles Lambert Ave. Marrix 24 91050 Brustels, Belgium Between 9:00 a.m. and 4:00 p.m.

Kredietbank S.A., Luxembourgeoise 43 Blvd. Royal - L. 1995 Luxembourg Grand Duchy of Luxembourg Between 8:30 a.m. and 4:30 p.m. Banco Rio de la Plata Bartolomé Mitre 480 — 4th Buenos Aires, Argentina Between 10:00 a.m. and 3:00 p.m.

es Days prior Coupon p The Bank of NewYork October 9, 1992

CAL Futures Lid 162 Queen Victoria Street London EC4V 4BS Tel: 071-329 3030 FT-SE 100 Where next? MEMBER SFA Call for our current views

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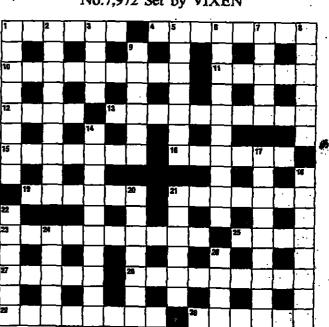
MONEY MARKET FUNDS



Not owning a Pelikan is a cause for great sorrow, So WIN one with the Weekend FT Crossword tomorrow! *S*elikan () The second second

CROSSWORD

No.7,972 Set by VIXEN



ACROSS
1 A qualified person bles mal (6)

19 Suffers burns (6)
21 Reading a note about a celebrity, a goddess (7)
23 Tampered disastrously with

6 May be meaner, true, yet make some payment (10)
7 Out of small change, the Spanish appear put out (5)
8 In an oceangoing vessel a server gets lost (6)

a =

Agramatical

a sensible way (10) (9)
15 Go on strike to produce an 18 Housing adult males in prin-

preservationist organisation.
causing division (10)
25 To reduce by a quarter would be shrewd (4)
27 Over-slender (5)
28 Lads led in stupid fashion can make a slip. naturally (9)

22 Tots and a minister have a meal together (4,2)
4 Where the speed should be about 50 (5)
50 One's repeatedly given want.
(4)
Solution to Puzzle No.7,971



animal (6)

4 Disturbing birds? (8)

10 Betuddled man — target for a scolding woman (9)

11 The doctor gets by, though he's in low spirits (5)

12 Managed without a single fall (4)

13 Deal fairly with a colleague in a sensible way (10)

7 Out of small change, the Spanish appear put out (5)

8 In an oceangoing vessel a server gets lost (6)

9 Taste is shown in quietly unfolding a tale (6)

14 Dull company — don't give so many dirty looks (10)

16 Beast long holding gold cmp

(9) 15 Go on strike to produce an effect (7)
16 Husband – a little egghead (5)
19 Suffers burns (6)
21 Reading a note about a celebrity, a goddess (7)
22 Tots and a minister have a meal territher (4.2)

28 Lads led in stupid fashion can make a stip, naturally (9)
29 Legal claim certain to give rise to amusement (8)
30 Concur when ordered to go (5)

DOWN

1 Bed-sit by the Avon that's barely used? (8)
2 A lawyer, having the right, is involved in trade (9)
3 Stone work a sovereign wanted (4)
5 Taking part in a regatta in shallow reaches (7)

SIMO PISTEWARD BOB

OPERA PAWATELLIA

POINTLESS NERVE

OF A A

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CALIF HARIGOIT

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CLASS SUBSITOTISES

NEETRODIST AVERT

OBERO	• • .•	··· · · · · · · · · · · · · · · · ·
OBER 9 1 FINANCIAL TIMES FRIDAY OCTO	OBER 9 1992	
		OCK MARKETS
AUSTRIA FRANCE (continued) Beloker 6 Scb + or - October 8 Fri.		CANADA
Asstytan Alrilans 1.890 = 10 Cerrefour 2.191 Constituentain #7 4.00 +3 Centre 1.43 90 = 163 90 = 163 90 = 160 Centre 1.43 90 = 16	Section Sect	Sales Stock High Law Close Ching Sales Sto
Settlerale Banque 6,990 +200 Internal Settlerale Banque 6,990 +200 Internal Settlerale Banque 6,990 +200 Internal Settlerale 5,230 +30 Internal Settle	October 8	195000 Cambor 5 5104, 1014, 304, 414, 2000 Cambor 5 5104, 1014, 10
Lambtrees C1) 8	Entestern 1.120 69	DOW JONES Oct
Accor	STET 1,200 +40	Dow Industrial Div. Yield 3.24 3.19 3.10 3.12 JAPAN Rich Id.6(449) 1735.51 1711.74 1788.10 17101.50 23901.18 (6/1) 1302.00 1302.
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Rechar A10 -5 Nagase 586 +1	Surnitation Metal Ind 258 +6 Sunitation Metal Ind 258 +6 Sunitation Metal Ind 258 +6 Sunitation Metal Ind 259 +1 Surnitation Color Color	FINANCIAL TIMES LOHDON FARIS FRANKFURT NEW YORK TORYO LOHDON FARIS FRANKFURT NEW YORK TORYO LOHDON FARIS FRANKFURT NEW YORK TORYO

		Phone	Fax			Phone	Fax
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Brussels	+32 2	5132816	5110472	New York	+1 212	7524500	3082397
Copenhager	1 +45 33	134441	935335	Paris	+33 1	42970623	42970629
Frankfurt	+49 69	156850	5964483	Tokyo	+81 3	32951711	32951712
Geneva	+41 22	7311604	7319481	Stockholm	+46 8	6660065	6660064
Helsinki	+358 0	7304000	730705	Vienna	+43 1	5053184	5053176
Lisbon	+35 11	808284 .	804579	Warsaw	+48 22	489787	489787

| Separation | Colone | Colone

| Chings | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1983 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984

22 18½ Cyprus Min 200 30 34222 27½ 28½ 28½

24½ 15½ OPL Holdg 1.05 5.7 162781 u19½ 18¼ 11½

15½ 15½ OPL Holdg 1.05 5.7 162781 u19½ 18¼ 11½

25½ 19½ Densber Corp 100 4.3 55:274 37; 28½ 21½

25½ 19½ Densber Corp 100 4.3 55:274 37; 28½ 21½

25½ 19½ Densber Corp 100 4.3 55:274 31½ 21½

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FINANCIAL TIMES FRIDAY OCTOBER 9 1992 ## Complement From the Complement of the Complem **NASDAQ NATIONAL MARKET** NYSE COMPOSITE PRICES 194: 124 Van Oorn 0.60 a.2 80 106 185; 84 6% Van Kemp HI 099 126 525 7% 194 7½ VanKampter 1.02 11.2 90 9½ 12¼ 10½ VanKamptek 0.83 7.1 139 11% 7% 3% Varco Intl 16 165 5 42 33½ Varian Ass 0.36 1 0 17 394 34% 84 64 VanKemp HI 0 99 12.6 94 7 2 VanKamptier 1.02 11.2 124 1612 VanKamptieti 0.83 7.1 7 30 13½ 13¼ 13½ 18 435 25½ 25 25½ 1.19 2.1 17 310 57 56 57 14 60 23 22½ 23 188 50 35 15 33½ 33½ 33½ The state of the s ### American Composition | Property | Simple | Simple | Composition | Property | Simple | S **AMEX COMPOSITE PRICES** 3 pm October 8 97 Sta Div. E 100s High Low Close Chag 1.14 13 99 18½ 18½ 18½ 18½ 0.26 15 1076 98½ 37½ 37½ -1½ 1.10 16 25 29½ 23½ 23½ 23½ 0.12 20 87 9½ 9½ 9½ 9½ -1½ 0.88 14 23 10½ 10½ 10½ 1 33 1½ 0 7 12 d1½ 12 Low-Close Ching Stock 1312 1373 41 Pet NEEP 214 214 -18 Phil LD 151 14 Phoney A 914 91 Phy Bam PMC x 312 374 -15 Preside A 514 514 +14 Prior Con 574 512 412 612 613 412 613 31 31 A 614 615 615 615 615 615 615 616 615 615 616 615 615 616 616 615 4 55 3|3 34 15 5|4 10 2006 6|2 11 123 6|3 0 5 13 0 10 13 15 20 12 38 31 32 5 350 11 0 50 12 11 9 103 16 20 202 WE KEEP YOU IN TOUCH FROM TURIN TO TORONTO. You'll find the Financial Times on the leading airlines and at hotels and kiosks in business centres around the world. So wherever your business takes you, our news and views can be part of your business day.

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Jobs data undermined by weakness in bonds

AFTER registering early gains on good employment data, US share prices fell back yesterday morning as the first round of third quarter earnings reports began to be published, writes Patrick Harverson in New York. By 1pm the Dow Jones

Industrial Average was up 3.24 at 3,155.49, more than 15 points below its highs for the session. The more broadly based Standard & Poor's 500 was also little changed at the halfway mark, up 0.95 at 405.20, while the Amex composite was down 0.81 at 366.07 and the Nasdaq composite 2.11 higher at 571.31. Turnover on the NYSE was brisk at 112m shares by 1pm, and rises outpaced declines by 831 to 716.

The early gains were achieved following unexpectedly good news from the jobs market Government figures released yesterday showed that weekly state unemployment insurance claims fell by 24,000 in the week which ended on September 26. The decline went against expectations as analysts had been predicting another rise in weekly claims, and some investors seized on the data as an indication that conditions in the labour market may be improving.

Prices soon fell back, however, partly undermined by the inability of the bond market to

the yield on the 30-year bond has edged back close to 7.5 per cent, and equity investors are worried that higher long-term interest rates will add to the country's economic woes.

NYSE volume Daily (million)

Average daily volume 1991 - 179,188,000

100 24 25 28 29 30 1 2 5 6 7 8 Sep 1992 Oct

Among individual stocks, Fannie Mae (Federal National Mortgage Association) jumped \$1% to \$64% in heavy trading after the company reported net income of \$412.9m in the third quarter, the 19th consecutive

record quarter for the group. USAir climbed \$\% to \$12 in turnover of more than %m shares after announcing that it had reached a settlement with striking machinists. The carrier said that 60 per cent of its service was back to normal yesterday, and that a full ser-vice would be resumed by Mon-

Compag rose \$1% to \$35% in turnover of 1.2m shares after the computer company said that its operating earnings in the third quarter would be better than in the second.

Westinghouse Electric fell \$1% to \$14% after it predicted that third quarter earnings would come in below 35 cents a share. The company is also expected to take a charge of between \$60m and \$100m on its investment in the discount drugstore chain, Phar-Mor.

Best Buy rose \$2 to \$25\% on news that the retailer's sales in September rose by 105 per cent to \$156m. Another retail group to report strong monthly sales was Wal-Mart Stores, up \$1/4 at

Canada

TORONTO lost some early gains by midsession with the TSE 300 composite index up 2.7 at 3,218.0. Declines led advances by 183 to 155 in volume of 13.7m shares valued at C\$150m.

Among active issues, Domtar was flat at C\$5%, CAE fell C\$% to C\$51/4, Bramalea rose 1 cent to 50 cents and Royal Bank of Canada gained C\$% to C\$22%. Alcan rose C\$% to C\$19% after the broker, SG Warburg, upgraded its rating on Alcan to a hold from a sell, and also upgraded other aluminum

Late rise in Nikkei ahead of October options close

INDEX-LINKED buying related to the options market lifted share prices in the late afternoon, and the Nikkel index closed higher in an otherwise uneventful trading session, writes Emiko Terazono in

The Nikkei closed up 223.77 at the day's high of 17,335.51, following arbitrage unwinding which depressed prices in the morning and pushed it down to

Volume fell to 200m shares thin, yesterday because market participants were reluctant to trade ahead of Friday's settlement for October stock index

option contracts. Advances led declines by 471 to 444 with 168 unchanged, the Topix index of all first section stocks rose 5.60 to 1,304.69 and, in London, the ISE/Nikkei 50 index eased 0.02 to 1042.94.

Share prices moved in a tight range before their sharp rise at the end of the session. Activity centred around short-term trading of speculative stocks by dealers and individual investors. The fall in the yen against the dollar also helped

some export oriented issues. Shinagawa Fuel, the most active issue of the day, rose Y1 to Y966. The fuel dealer gained popularity as an environmental theme stock due to reports on its research to change plas-

tics into petroleum. Hitachi Zosen, the shipping company, rose Y17 to Y547 on speculation of increased orders of its garbage incinerators. maker, which was previously

higher on the environmental theme, lost Y6 to Y591 on prof-

The yen weakened to the Y120 level against the dollar, helping electronics and car companies. Sony gained Y40 to Y3,930 and Toyota Motor advanced Y20 to Y1,420.

NEC, however, fell Y10 to Y681 on continuing concern over its earnings. Investors are also currently discouraged by the planned sales of low-cost personal computers by Compaq, the US computer maker. Chiyoda, the plant engineer-

ing company, rose Y70 to involvement in a major natural gas pipeline project in the Mid-

Lion, the toiletries maker, rose Y39 to Y611. Investors have started to target companies which have started to restructure their operations, including cost-cutting measures in the proces

in Osaka, the OSE average fell 40.61 to 18,908.36 in volume of 12.2m shares. The lack of fresh news prompted small-lot selling

Roundup

THE region's markets put in mixed performances yesterday. HONG KONG recovered after falling sharply at the opening. following negative Chinese reaction to Governor Chris Patten's speech on Wednesday. The Hang Seng index closed down 33.50 at 5,555.53, after an intraday low of 5.526.37. Turnover was HK\$1.63bn after

Wednesday's HK\$1.48bn. HSBC Holdings lost HK\$1.00 to HK\$54.50 and Cheung Kong was 20 cents lower at HK\$20.30.

TAIWAN ended 2.7 per cent higher following the resignation of the finance minister over a property tax proposal.

The weighted index, which advanced more than 100 points in early trading, closed 96.09 higher at 3,688.21. Turnover rose to T\$21.2bn from T\$13.1bn. BANGKOK advanced on bank, finance and securities issues and the SET index gained 11.36 or 1.3 per cent to

883.36 in turnover of Bt16.6bn. SEOUL fell on profit-taking with investors remaining nervous about the political situation. The composite index lost

to Won239bn from Won173bn. MANILA was lower with activity concentrated on secondary commercial stocks and some profit-taking in blue chips. The composite index shed 3.98 to 1,403.82 in combined turnover of 299m pesos.

AUSTRALIA rose on barin-hunting, with BHP one of the day's biggest gainers, up 14 cents to A\$11.64. The All Ordinaries Index closed 10.2 higher at 1,465.6 in turnover of

NEW ZEALAND was dragged lower by an 8 cent fall in Telecom to NZ\$2.23 on rumours that a competitor, Clear Communications, had increased its market share . The NZSE-40

index lost 7.57 to 1,384.64.

SOUTH AFRICA DE BEERS bucked the gener ally easier trend with a 3.6 per cent gain. Its shares rose R1.75 to R49.50 while Anglos shed R2 to R81. The overall index lost 2 to 3,079, industrials put on 3 to 4,083 and the gold index was 13 down at 861.

Politics sets pace for Brazilian equities

Bill Hinchberger charts the effects of 'Collorgate' on the Bovespa and foreign investors

Politics continues to set the pace for Brazilian equities, a week after President Fernando Collor de Mello was removed from office to face impeachment proceedings in the Senate.

The euphoria surrounding the Chamber of Deputies vote to initiate the impeachment process has left a post-Collor "hangover", says Mr Alvaro Augusto Vidigal, president of the São Paulo Stock Exchange (Bovespa). Furthermore, the optimism stemming from the ousting of Mr Collor, with hopes of a new administration backed by a broad coalition in Congress and top-name ministers, has waned.

The Bovespa index tumbled when Mr Itamar Franco, the vice president who has assumed the presidency, named Mr Gustavo Krause as finance minister, falling by 11 per cent during the first four trading days of October. On Wednesday, it closed down 3.3 per cent, at 38,291. Turnover was slow, at just \$53m.

Resistance in the São Paulo business community to Mr Krause and his henchman, Planning Minister Paulo Haddad, appears to be subsiding.

Mr Delfim Netto, an influential federal legislator from São Paulo, chided "paulistas" for their regional prejudices against Mr Krause, who comes from the north-eastern state of Pernambuco, and Mr Haddad, from Mr Franco's native Minas Gerais region.

The stock market is now waiting for Mr Franco to elaborate his strategy to attack stagflation, and for details of his views on economic reforms such as privatisation and trade liberalisation. The market has been influ-

enced by politics since May, when Mr Collor's brother publicly accused him of corruption. A subsequent parliamentary inquiry and the impeachment debate helped to break a bullish streak dating back to mid-1991, when foreign institutions were allowed to operate directly in the market. The unsurge made Brazil seem one of the best bets among the world's emerging markets.

When the political crisis erupted, the market initially reacted as if the corruption charges would not stick. But around July, as press reports and the parliamentary inquiry began to uncover evidence of



direct presidential involvement, the mood changed. Soon the market was rising on signs of a speedy presidential demise, and falling when he

May

seemed to gain strength.

This trend was most acute in late September, prior to the authorisation of impeachment proceedings and Mr Collor's suspension. Anticipating approval, the Bovespa index closed up 7.7 per cent on the day of the evening roll call. With the pre-impeachment surge, the Bovespa index rose by 9.8 per cent, after adjusting

recede, say many observers, bringing the economy back to centre stage. "I think that we are leaving behind the political climate and getting back to reality," says Mr Vidigal.

But Mr Roberto Teixeira da Costa, director-president of Brasilpar Financial Services. believes that the market may continue to reflect the mood of the government. However, he adds, "I don't see any big surprises in the Itamar adminis-

During "Collorgate", foreign investment maintained a net inflow until August, albeit at a much slower pace. A net \$1.5bn entered Brazilian bourses from January to the end of September. But two-thirds of this, \$991m, was registered by April, before the political crisis. This compared with \$571m for the whole of 1991. In August, foreigners siphoned off \$80m more than they sent in.

But in September, they invested a net \$37m, fanning hopes that the foreign investment ebb may be about to reverse. Figures for early October are not yet available, but the local subsidiary of Chase Manhattan says that clients of

The political element should its omnibus account invested a net \$13m during the first three days of this week, compared with \$19.2m in the whole of August, and \$24.5m in Septem

> Foreigners continue to express interest in Brazil by registering with the Securities Commission (CVM), as required by law. Through the end of August, the CVM had 501 institutions on its books; preliminary figures show that further 22 won approval in

ntember. Trading remains concentrated in a handful of blue chip stocks, especially Telebras, the state-controlled telecommunications company which accounts for 40 per cent of the Bovespa index. On Wednesday, Telebras accounted for 75 per cent of volume.

Mr Franco's statements about "perfecting" the privatisation programme and refer ences to unnamed "strategic" companies have raised doubts shout his intentions towards Telebras. But analysts believe the company's stock is attractive and say that few investors have expressed concern about the company's privatisation fortunes under Mr Franco.

Continental bourses extend recovery

BOURSES extended their recovery from Monday's setback, the FT-SE Eurotrack 100 index ending less than 1 per cent below last Friday's level, writes Our Markets Staff.

MILAN ended broadly higher in active trading as hopes that the capital gains tax might be abolished for at least a year prompted a wave of buying. The Comit index rose 12.54 or 3.4 per cent to 382.47 in turnover estimated at more than

Wednesday's L131bn. The market was cheered by news in the morning that the Senate finance committee had approved a measure that would abolish the capital gains tax until September next year. The measure still needs the approval of the full Senate. Among blue chips, Fiat

jumped 2.5 per cent or L95 to L3,850 while Generali added 3.6 per cent or L950 to L27,350. Trading in Italcementi and Italmobiliare resumed after Wednesday's suspension. Ital-

cementi rose L790 from Tuesday's close to L7,180 while Ital-L31,500.

PARIS continued to rise on bargain-hunting but turnover

was considerably lower at FFr1.98bn. The CAC-40 index added 19.71 or 1.2 per cent to 1,673.86. Trading was dominated by

Hachette, Printemps and Michelin. Hachette jumped FFr16.80 or 11.8 per cent to FFr158.70 on speculation that rival media group Havas was building a stake.

Michelin dropped FFr6.30 to FFr175.50 on reports that Morgan Stanley had cut its earnings estimates.

Paribas steadied after ednesday's fall, closing 80 centimes better at FFr279.10 but Ciments Français B shares dropped FFr45 or 13.2 per cent to FFr295 on worries about the

sses at the cement company. FRANKFURT extended its recovery as the DAX index rose 15.07 to 1,451.12. Dealers gave carmakers some respite after their recent downgrading and, relatively speaking. reserved judgment instead on the big three chemical stocks.

FI 171.70 as the CBS Tendency FT-SE Eurotrack 100 - Oct 8 Open 11.30em 12 pm 1 pm 2 pm 3 pm 4 pm close 983,87 986.93 986.51 985.15 985.87 986.26 985.85 986.33

Day's Low 983.87 Day's High 987.29

The German chemicals association said yesterday that corporate earnings have dropped more than 30 per cent in the year to date and added that no end to the downturn is in sight. Bayer fell DM1.40 to DM253, although BASF rose DM1 to DM208.50 and Hoechst

DM2.20 to DM221.40. Volkswagen led a carmakers' recovery with a rise of DM6.40 to DM259.30. Hoare Govett put VW among its principal buy

recommendations this week, saying that recent downgradings had been extreme and that it was holding to earnings forecasts for VW of DM37 in 1992 and DM38 in 1993 against DM36 last year.

AMSTERDAM saw buying in Heineken inspired by a newspaper report, denied by the brewer, that Philip Morris of the US was interested in taking over the group. The shares rose F14.10 or 2.4 per cent to

index advanced 0.7 to 108.5. Nijverdal-Ten Cate, the plastics and textile manufacturer, dropped Fl 9.50 to Fl 86.50 after forecasting unchanged 1992 earnings, having said in August that profits would rise

by some 10 per cent. Elsevier closed down Fl 1.90 at F1 105.70 but off the day's low of Fl 102.0 on reports, later denied, that it had reduced its growth forecasts for academic

ZURICH transferred its attentions to industrials, as banks eased on profit-taking. The SMI index put on 12.1 to 1,870.3, chemicals led the industrial sector higher with Ciba bearers SFr7 firmer at SFr632 and UBS bearers, SFr1 easier at SFr789, topped the MADRID added another 5.91 points in the general index to 192.71. Mr Victor Galliano of Baring Securities said that buyers were being tempted back into the market by the low share prices following the peseta devaluation and the imposition of currency con-

STOCKHOLM saw continued weakness in Volvo, partly because of the effects of weaker currencies in some of its European markets. The Affärsvärlden index lost 2.4 to 653.1 in light turnover of

SKr387m. Volvo B declined SKr6 to SKr204. SKF B gained SKr2 to SKr72.50 on news that the roller bearing group is selling an 80 per cent stake in a tool manufacturer to Sandvik Coro-

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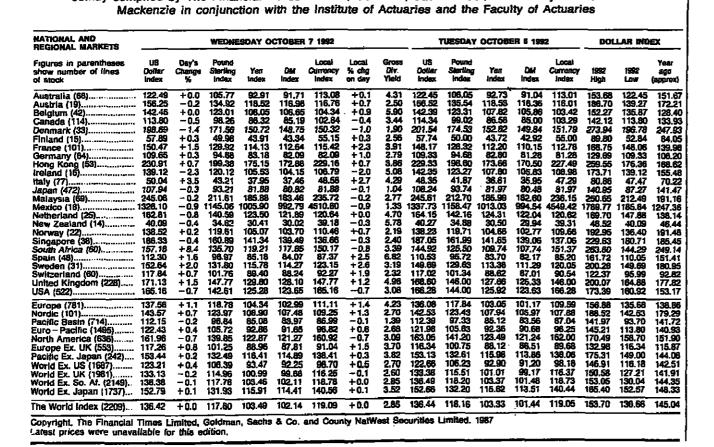
American Barrick Resources Corporation

1,000,000 Ounce Ten year gold hedging facility

The undersigned arranged this transaction, provided the funding, and acted as advisor in this transaction

JPMorgan

July 1992



FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood